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Accord over Cauvery waters

IT IS INDEED a pity that after nearly three decades of attaining Independence, many of the inter-state water disputes in this country have remained unresolved. For many years the governments in the quarrelling states belonged to the same party which ruled at the centre, and yet it was not found possible to bring round the recalcitrants. And now, Mr Jagjivan Ram, the union minister for Agriculture and Irrigation, has succeeded in bringing about an understanding among the Tamil Nadu governor, the Karnataka chief minister and the Kerala Irrigation minister over Cauvery waters after discussions extended over two days. In a statement which Mr Jagjivan Ram made in Parliament on August 27, he went over the various recent attempts beginning in 1970 which had been made for the settlement of this dispute and why the government had drawn a blank so far. It appeared that persuasion by the centre and conciliatory postures taken by the three state governments were largely responsible for the agreement, though the credit for this achievement must go to Mr Jagjivan Ram who has a unique record of successes ever since he started directing the affairs of this ministry.

For making the three states agree to a broad outline of the accepted formula, reliance was put on a scheme of management which had been successfully tried in this country, namely, the Damodar Valley Corporation (DVC). On the same lines as the DVC, it was decided to set up the Cauvery Valley Authority (CVA) which will have one irrigation engineer from each state and which will be presided over by an irrigation engineer to be nominated by the centre.

The task of framing the rules and regulations of the CVA has been assigned to a committee of secretaries of the three states which will come up for discussion and approval at the next meeting of the Tami Nadu governor and the chief ministers of Karnataka and Kerala. Where there is a will, there is a way. Since an atmosphere of cordiality has been created, an agreement on the formula worked out by the technocrats will result in benefit to all the concerned states.

So far, total utilisation of water from the Cauvery river system is around 671 TMC, according to Mr Jagjivan Ram. The shares of the three states are: 489 TMC by Tamil Nadu, followed by 177 TMC by Karnataka and five TMC by Kerala. What the CVA would have to do would be to increase the utilisation of water without affecting the existing ayacuts. There was also agreement on instituting the maximum possible economy in the use of the water of this system so as to conserve it for making available multipurpose benefits such as energy for domestic and industrial purposes and increased irrigation. The emphasis would be on equitable distribution so as not to generate bickering.

The distribution of the water of the Cauvery becomes a problem not at the peak of the season when every state can have its fill; the real trouble arises either in a lean year or in lean months. The special committee which is proposed to be constituted will see to it that fair distribution will result in lean periods as well. And this is something which is being left to the irrigation engineers who will advise the CVA according to guidelines agreed to beforehand. What is significant is that the committee of engineers has been given a period of three months only within which they have to finalise their report. It clearly shows that the governments both at the centre and the states are keen to finalise the terms of the agreement in the shortest possible time.

It is true that the Cauvery represents only one of the disputed water systems and many more remain to be tackled. It is however legitimate to entertain the hope that the CVA represents only the beginning of a chain of agreements which will very soon assist this country in extending the area under irrigation and also in generating increasing quantities of electricity. After all, the absence of agreement all these years has

not allowed increased exploitation of water which would have brought increments in incomes of all the three states.

At a recent meeting with the Forum of Financial Writers in the capital, Mr Jagjivan Ram opined that the accord on

Cauvery will result in prosperity to all the three states and no fresh problems are likely to crop up for the next eight to 10 years. And a day might come when all the water of the Cauvery would be used for human benefit with very negligible quantities flowing every year to the sea.

Non-tariff barriers

ADDRESSING a seminar in the capital recently, Dr P.C. Alexander, secretary, Foreign Trade, of the union Commerce ministry, suggested that Indian businessmen should take a keen interest in the multilateral trade negotiations that were going on in Geneva under the auspices of the General Agreement on Trade and Tariffs (GATT). He explained that these negotiations were of considerable significance because they would offer substantial benefits to our country by providing improved access to the markets of the developed countries. These concessions would be in addition to those available under the Generalised Scheme of Preferences (GSP). Mr Alexander estimated that Indian exports valued at about Rs 125 crores were likely to be benefited under these negotiations. But it is not clear how Indian businessmen can follow these discussions and take advantage of them when so little information is made available on this subject.

eliminating impediments

The objective of the multilateral trade negotiations is to eliminate or liberalise tariff barriers and other impediments to the free flow of trade such as quantitative restrictions, customs valuation procedures, and technical standards. The negotiations started in February 1975 and six groups have been set up to study the various aspects. These groups are on tariffs, tropical products, agriculture, non-tariff measures, safeguards, and the sector approach. Some of these groups have set up sub-groups to facilitate detailed studies. Panels have also been formed relating to each group and sub-group.

Although these negotiations have now reached an advanced stage, it seems that neither the government of India nor

exporters and their organisations have yet a clear idea of the kind of non-tariff barriers that are resorted to by the developed countries. In fact, it is only a few weeks ago that the union Commerce ministry approached apex bodies like the Federation of Indian Export Organisations (FIEO) and sought information regarding the difficulties experienced by exporters due to barriers such as those relating to standards, packaging, labelling, marks of origin, and so on. The FIEO and other organisations however do not have adequate data and therefore they have asked major exporters and chambers of commerce to provide the data on an urgent basis.

regulatory measures

Information is sought on the products whose exports are affected by the regulations in other countries relating to standards, packaging, and labelling; details of the standard specifications and how they hurt exports; instances of Indian goods whose export is restricted due to their non-conformity with the specifications; and particulars of discrimination between one country and another in applying the standards. It is known that the UK, West Germany, France, the USA, Japan and a few other countries have imposed safety and industrial standards in regard to electric power machinery, television and radio broadcasting equipment, wires and cables, and similar products. The USA and Canada have resorted to restrictions relating to packaging and labelling on the import of marine products, and certain kinds of leather garments. But the available data on these and other products are meagre and not up-to-date.

One wonders why the union Commerce

ministry has not made any permanent arrangement to collect the details of non-tariff barriers and make them continuously up-to-date. The commercial sections of the Indian embassies should be asked to furnish such information on a regular basis to the Commerce ministry. The FIEO, the FICCI and other business organisations should also play their part in equipping themselves with reliable details of the non-tariff barriers and about the extent and manner in which they affect our exports. Scores of trade delegations are going abroad both under official and non-official auspices but their reports and recommendations contain hardly any reference to the role of non-tariff barriers which hurt our exports.

difficult task

The task of collecting such information is however not easy. As the International Chamber of Commerce has said in a study: "The enquiries which have been conducted to detect non-tariff barriers have shown such a wealth of individual practices that the publication of a comprehensive list will require several volumes. Moreover, it would be misleading to give the impression that it is possible to give a balanced description of the record of each country, as there are many divergencies of view regarding the effect on trade of individual measures, their justification or otherwise, or even their existence". But, despite the magnitude of this problem, both government and industry should make every effort to acquaint themselves with the details of the non-tariff barriers so that we can effectively participate in the multilateral trade negotiations.

Meanwhile, our country should take full advantage of the concessions available under the GSP. Although India is one of those countries which have been strongly advocating the need for the removal and reduction of tariff barriers, our exporters have been slow in benefiting from the GSP. India's total exports under the GSP were valued at Rs 172 crores in January-June 1975 compared to Rs 252 crores in the similar period of 1974, a decline of over 32 per cent. Though some increase took place in the export of engineering goods under the scheme, many other items such as textiles, ate goods, chemicals and coir

products have declined. In regard to the GSP also, there is need to keep our exporters correctly and continuously informed about its implementation.

The union Commerce ministry should strengthen its machinery for the collection of correct and comprehensive information about tariff and non-tariff barriers. The prospects for expanding our exports have improved

with the end of recessionary conditions in many developed countries. The Indian economy is also developing rapidly with a high rate of growth in industrial and agricultural production. Export policies are acquiring more pragmatism. It will therefore be unfortunate if, due to the information gap, our exporters are not able to gain increased access into the markets of the developed countries.

Buoyancy in engineering exports

CONSIDERING THE fact that the Association of Indian Engineering Industry (AIEI) has set before itself the target of raising exports of engineering products to as much as Rs 1,000 crores by 1978-79—the terminal year of the current five-year Plan—the targets put forth at its meeting here last week by the Engineering Export Promotion Council (EEPC) for stepping up these exports to Rs 500 crores during the current financial year and Rs 650 crores two years hence ostensibly appear to be conservative. The EEPC expects that the level of Rs 1,000 crores exports might be touched only by the turn of the decade. A closer scrutiny, however, shows that the EEPC's targets are not so modest. The difference between them and the AIEI target gets narrowed down considerably if adequate allowance is made for the civil construction jobs being taken up by us particularly in the west Asian countries, which do not seem to have been fully taken into account by the EEPC.

full utilisation needed

Even according to a study of the export performance of the 200 leading engineering concerns, specially prepared by the EEPC for its last week's meeting, exports of engineering goods can be raised to Rs 900/1000 crores by 1978-79 and further to nearly Rs 1500 crores in the beginning of the eighties, provided, of course, the existing capacities in most of the lines of manufacture can be fully utilised. This, indeed, is a very rosy prospect. But the EEPC seems to have erred in arriving at these projections by ignoring the fact that some

of the enterprises whose performance has been studied are particularly attuned to the domestic requirements, including the defence needs, and they, therefore, cannot be expected to undertake export orders to any large extent, except where they have significant spare capacity.

forward projections

The existing capacities of several giant concerns, particularly in the public sector, thus, do not lend themselves to straight mathematical calculations on the basis of which the above very rosy prospect has been painted. Some greater refinement in making forward projections, it is hoped, will be exercised in the future studies of the EEPC. Rightly, of course, the above study mentions that it may not be possible to make appreciable headway for some time in the export of passenger cars, aircraft, ships and boats—apparently because of the keen competition in the world markets in these lines and also due to our inability to match the exceedingly liberal terms provided by the manufacturers of the advanced countries.

Notwithstanding the above, it of course is a matter of gratification that the progress of engineering goods exports hitherto as well the good prospects in the coming years are enabling us to diversify our external trade a great deal. These exports aggregated to just Rs 125.9 crores in 1971-72 and Rs 150.5 crores in 1972-73. They went up to Rs 180.18 crores in the succeeding year and to as much as Rs 349.11 crores in 1974-75. The last year's exports

are estimated at slightly over Rs 400 crores. These figures not only suggest that very concerted efforts have been made—as ought to have been the case—to step up these exports but also indicate that our competence to export engineering products is gaining acceptance abroad. A clearer indication of the latter is available from some of the contracts secured recently from the developing countries in west Asia, Africa and south-east Asia as well as from such sophisticated markets as New Zealand and West Germany and that too in the face of keen competition from the advanced nations.

prestigious contracts

Some of the prestigious contracts bagged in the past few months include the Rs 102 crores contract with Libya for setting up a complete thermal power station comprising two 120 MW boilers and turbo-sets with all auxiliaries and ancillaries, including a desalination plant, on a turnkey basis, a Rs 17 crores deal with Malaysia for the supply of three 120MW boilers, a Rs 9 crores contract for exporting hydro turbo-sets to New Zealand, Rs 28.5 crores deal for setting up on turnkey basis a sugar plant in Tanzania, an export order of 1,000 tractors to Turkey and a Rs 230 crores turn-key project for constructing 3,370 dwelling units housing complex in Kuwait. The Heavy Engineering Corporation, which till lately was considered to be one of the sick units in the public sector, because of gross under-utilisation of its capacity, too has been able to secure (with cooperation from the USSR) export orders aggregating to Rs 9 crores for third country projects. So far as West Germany is concerned, we have started exporting some auto ancillaries and components to be used as original equipment.

This near-breakthrough, indeed, should indicate that a fast multiplication of exports of our engineering goods should not be ruled out, provided, of course, an all-out effort is made to step up these exports. In fact, the export orders booked in the last four months make quite a pleasant reading. Excluding the construction job in Kuwait, the export orders registered with the EEPC during the first four months of the current financial year

have aggregated to Rs 234 crores, which has raised the value of contracts on hand to as much as Rs 628 crores. The exports effected too have not been less encouraging: during April and May, they amounted to Rs 77.25 crores—an increase of 29 per cent over the exports during these months last year.

The most encouraging fact to be noted about engineering exports, of course, is that there is a growing realisation on the part of the industry that exports cannot be undertaken on an *ad hoc* basis during a recession alone and that they have to be assiduously built up as a regular feature. As the EEPC chairman, Mr R.C. Maheshwari, put very ably in his presidential address to the last week's meeting, "exports must now come to be universally regarded (by the industry) as an essential and integral part of our overall manufacturing and sales programmes. It can no longer be acceptable that we continue to luxuriate within the more secure and lucrative confines of the domestic market and resort to export as an *ad hoc* experience. Every single unit has to view export as a national commitment." This attitude has already been developed by some of our major enterprises, both in the public and private sectors. The pertinent cases in the public sector are those of Bharat Heavy Electricals, Heavy Engineering Corporation, Bharat Earth Movers and such departmental undertakings as the railways. In the private sector, there are a number of units which are making concerted efforts to export their products so that they can expand their operations.

greater participation

The plea of Mr Maheshwari in his above-mentioned address for the setting up of a high-powered committee at the centre, comprising the secretaries in the ministries of Industry, Commerce, Finance and Technical Development, to go into the problems of securing greater participation by leading individual manufacturers in the export effort and to discuss with them in depth the various difficulties experienced by them deserves pertinent note. This is because even though the responsiveness which the government has shown to the problems of exporters in general and those of the engineering pro-

ducts in particular in the past few months is well appreciated, as also the speed with which remedial measures have been initiated, there is need for removing whatever bottlenecks or constraints that remain. One of the significant constraints pointed out by Mr Maheshwari is the slow percolation of the decisions at the highest level to the lower rungs of administration. He, therefore, has called for a speedier translation into practice of salutary policy decisions taken to help the export effort. Such a dialogue with industry should also help in planning in advance about the various inputs required by exporters—such constraints undoubtedly have been a major drag on the export effort.

government acceptance

Some of the other suggestions made by Mr Maheshwari, of course, have already been accepted by the government. These include maintaining of stability in the policy framework regarding export incentives, liberalisation of foreign exchange for foreign travel and participation in world trade fairs. One specific suggestion which deserves careful thought, however, is the institution of promotional freight tariffs in respect of exports of sensitive commodities which have high potential, because shipping freight is stated to be proving prohibitive in the case of several of our products. Inadequate and irregular berth coverage for certain destinations is also providing a major bugbear to the industry. It is hoped concerted thought would be bestowed on this issue by the ministry of Shipping expeditiously.

Both the minister for Commerce, Prof D.P. Chattopadhyaya, who inaugurated the last week's meeting of the EEPC, and the minister for Industry, Mr T.A. Pai, who addressed it as the chief guest did well in emphasising that in view of the need for going in for bigger and bigger turn-key projects abroad, the consortia approach should be adopted and only the highest quality exports should be effected. Mr Pai called for a selective approach in the export of engineering products. He pointed out that one bad execution could tarnish the image of the country much more than nine good implementations could build up the image. The strengthening of the after-sales service too was

emphasised by both Prof Chattopadhyaya and Mr Pai, for that would go a long way in inspiring confidence among buyers.

The emphasis placed by Mr Maheshwari on fuller utilisation of installed capacities only needs to be endorsed; that is a sure way of bringing down production costs and making our products more competitive in the world markets. As Mr Pai has observed recently, there is also need to produce quality goods not only for the foreign market but also for the domestic consumer. A dual policy in this regard will not do now; it can create unnecessary complications. The domestic consumer, who has made substantial sacrifices during the era of planned development over the last 25 years, too expects that not only production costs should be brought down to compensate for his sacrifices but also quality should be improved.

It is further heartening to note that the need for providing deferred payment facilities to the needy developing countries is being increasingly recognised. We, of course, are not yet in a position to compete with the advanced countries on this score and have to offer a competitive package otherwise. If the current trend of surplus on trade account as well as the substantially increased inflow of invisibles continues, it may be possible for the government to liberalise at least to some extent the deferred payment facilities, which will facilitate realisation of the high expectations now being entertained in respect of engineering exports.

fast multiplication

Undoubtedly exports of engineering goods will multiply fast only if we go in for more and more turn-key projects and also for joint ventures abroad. This may require increased allocation of foreign exchange for some purchases of equipment and machinery in the advanced countries. Our consultancy organisations too can play a good role in promoting exports as they are eminently suitable for the developing countries which are passing through the same vicissitudes through which we have passed. The pitfalls which we had to encounter in industrialising our country can be avoided by other developing countries by drawing upon our experience.

Money supply is not the villain

THE INCREASE in the index of wholesale prices by 24 points to 306 from the end of March this year to the middle of August and a faster expansion of money supply have caused serious concern in union Finance ministry circles and it is being examined whether there is need for regulating more strictly the growth in money supply and refashioning credit policy for the next busy season. The awareness shown by the government of India in tackling problems responsible for the recent rise in wholesale prices for some commodities and the anxiety at the same time to aid the forces of economic revival have led to a series of measures which have had a salutary effect and there are indications that inflationary pressures can be effectively controlled if the supply lines of essential commodities are properly and regularly fed.

It is not, however, quite correct to say that the upward trend in prices of edible oils, raw cotton and sugar and even of foodgrains in some areas has been due to an increase in money supply or excessive credit expansion. On the contrary, the inability to detect the emergence of shortages in some directions and over-anxiety to maximise export earnings through shipments of edible oils, raw cotton and sugar have resulted in inadequate supplies for internal consumption just at a time when recessionary trends are receding and a seasonal increase in demand is usually experienced during the festivities in different parts of the country.

imports arranged

The imports of edible oils and raw cotton now being arranged and a staggering of sugar exports should prevent a further rise in prices though other measures too will be necessary for preventing the inflationary impact of higher cost import. It will also be necessary to release larger quantities of sugar for internal consumption even while slowing down exports. It has besides been clearly brought out that there will have to be anticipatory movements of sugar to

different sectors during the period of monsoon as the impact of additional releases of free sale sugar has not yet been felt and open market prices are at the highest levels in some centres. Apart from arranging for quick despatches from factories of the released quantities it may be necessary to pump additionally 100,000 tonnes of sugar before the end of October.

decline in prices

With easier availability of essential commodities it can be expected that prices will decline to reasonable levels, especially as new crop supplies of groundnut and cotton will begin to be received after October/November. An effort should be made to maximise production of sugar in the next season with formulation of appropriate price policies for sugarcane and levy sugar. As regards the regulation of money supply and the review of credit policy care should be taken to avoid negative attitudes. The growth in money supply has been taking place in a desirable manner though in view of the unprecedented expansion of credit and heavy inflow of remittances from non-resident Indians to dependents in this country, there has been a generation of cash at particular levels which is accustomed to spending incomes on consumer items because of unsatisfied needs or low-standards of living.

There are however some misconceptions about the additions to purchasing power which have taken place due to larger remittances from non-resident Indians. It is overlooked that even when there was illicit compensatory financing, the recipients were incurring rupee-expenditure in the same manner as now. Only it may be said that to the extent the smuggling of consumer goods has been effectively checked, there has been a reduction in availability and an increase in demand for indigenous products. This is a welcome development, especially as textiles and various other essential commodities are in adequate supply. There has also been a

the shape of higher deposits following the emergence of a trade surplus in the first four months of the current financial year and the retention of a sizable portion of foreign exchange remittances in the form of deposits with the scheduled commercial banks. The efforts to mobilise additional resources by banks in new areas have also yielded spectacular results. There has thus been an increase in deposits of scheduled commercial banks by as much as Rs 2069 crores between December 26, 1975 and August 13, 1976 against only Rs 1,221 crores in the corresponding period in 1975. It will be interesting to find out how the various components contributed to the spectacular growth in deposits.

The banking system is thus in a position to supervise more effectively available rupee resources with increasing monetisation of the economy. There has of course been a faster growth of note circulation also because of the expansion of procurement credit. It remains to be seen whether there can be a repetition of the happenings of 1975-76 as entirely different policies may have to be pursued in respect of procurement for building up buffer stocks.

difficult position

In view of the fact that 17 million tonnes of foodgrains are even now held by the Food Corporation of India and other agencies and five million tonnes out of this quantity are stored in the open, the Food Corporation will find itself in a difficult position when procurement operations have to be undertaken in respect of kharif crops. In the last slack season there was a decline in buffer stocks up to the end of August 1975. Thereafter a steady rise was recorded though it is not clear whether imports were mainly responsible for a big rise in food credit by Rs 169 crores in two months to Rs 741 crores on October 31, 1975. If imports were responsible to a significant extent for this big rise, procurement credit may not rise in the same manner in September/October though it is a moot question whether there will be a net contraction in procurement credit. It is quite likely that buffer stocks will be around at least 16 million tonnes

by the end of October and fresh procurement purchases may create problems of storage in subsequent months. The latest estimates suggest that the output of kharif food crops may be only slightly less than the record of last season and rice procurement may have to be again of the order of six million tonnes. It is therefore probable that the 20 million tonne mark will be reached by March next year which may create unmanageable problems relating to storage. Also even if it is decided that there should be change in the formula for providing refinance against procurement credit and bank funds are utilised to a greater extent than now for holding buffer stocks, the increase in purchasing power of farmers cannot be prevented.

A sizable net addition to money supply and notes in circulation can be prevented only if procurement purchases are confined to operational stock and there are no net additions to basic buffer stock. The government may find it difficult to take definite decisions in regard to a reduction in procurement purchases as support operations on a large scale may have to be carried out in order to prevent

a slump in open market prices. The removal of restrictions on inter-zonal movements may be helpful to some degree though in times of plenty freer movement may be utilised by traders to depress prices initially in order to take them up later. It has, therefore, to be examined whether export of foodgrains to a limited quantity can be arranged out of official stocks and procurement operations designed suitably in the light of new developments.

It will obviously be necessary to maintain a close watch on the food situation and take appropriate decisions for regulating buffer stocks and open market prices. The proper course would be to maximise production of essential commodities and liberalise also imports wherever necessary. In view of the need to maintain industrial production at a high level and sustain the export effort apart from meeting internal demand, the credit policy may have to be liberalised instead of being stiffened. The growth in money supply and credit so far has not been undesirable having regard to the higher level of agricultural and industrial production. There has also been no unusual feature in credit expan-

sion in the 12 months ended August 13, 1976. Against an increase in deposits by Rs 2743 crores, non-food credit has risen only by Rs 1323 crores, while food credit has accounted for as much as Rs 1515 crores. During the slack season so far also there has been no unusual rise in non-food credit, it being only Rs 86.63 crores between April 30 and August 13, 1976 against Rs 63.08 crores in the corresponding period during 1975. With declining stocks of sugar, steel and fertiliser the net increase in non-food credit may not be sizable in coming weeks while the requirements of industry and trade in the next busy season may not create serious problems as there will be price stability and a good offtake for a higher level of production. The new credit policy will, therefore, have to be constructively conceived and the Reserve Bank should also consider the possibility of lowering interest rates even while adopting strict procedures for revising credit limits to needy borrowers. The present situation is hopeful in many respects and there should be no alarmist approach when framing new fiscal and credit policies.

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Delicensing of industries • Import liberalisation • Engineering and consultancy exports • Railway traffic trends

THE UNION government intends to de-license some more industries, provided the entrepreneurs interested in them do not have recourse to borrowings from public financial institutions. This was indicated by the minister for Industry, Mr T. A. Pai, in the Rajya Sabha last week. Mr Pai said that the government wanted to see that in all industries where local raw materials were available, people should have freedom to start undertakings by mobilising their own resources.

Twenty-one industries, it may be recalled, were delicensed last year, subject to certain conditions such as the items of manufacture not being reserved for the small-scale sector, the industrial undertakings going into them not falling within the purview of either the MRTPL Act and/or the Foreign Exchange Regulation Act, and the industrial units not requiring any imported goods, raw materials or foreign collaboration.

Mr Pai also informed the House that the rules under the Industries Development and Regulation Act had been amended with a view to liberalising the investment procedures. The administrative ministries were authorised to grant COB licences or to dispose of applications for diversification or change of location of an industrial unit within a state.

Further evidence is available of the present comfortable foreign exchange situation of the country being utilised for liberalising imports of essential raw materials for industry. The sizeable imports arranged for meeting the requirements of the vanaspati industry have already been reported in this column.

Some details are now available of the contemplated imports of such other raw materials as cotton, polyester fibre, copper and zinc.

The Commerce minister, Prof D. P. Chattopadhyaya, has informed the Parliamentary Consultative Committee attached to his ministry that nearly 10,000 tonnes of polyester fibre might have to be imported this year in view of the increase in the output of the textile industry and the difficulties encountered in respect of the availability of cotton. This will be approximately double the amount imported last year. Orders for 2,850 tonnes have already been booked for these imports by the State Trading Corporation. As regards cotton, he has revealed that 200,000 bales are proposed to be imported to meet the current needs.

copper, zinc imports

The additional imports of copper and zinc are envisaged to be of the order of 7,000 tonnes and 15,000 tonnes, respectively. The need for these imports has arisen because of the higher tempo of industrial production, which during the first four months of the current financial year has been of the order of 10.5 per cent in the organised sector and nearly 18 per cent in the small-scale sector, as against just about 5.5 per cent in the former and about 14 per cent in the latter towards the close of the last financial year. To some extent, imports of copper have also been necessitated by the downward revision in the expected indigenous output this year due to a breakdown in the remming mix of the holding furnace of Hindustan Copper at Khetri. The

Minerals and Metals Trading Corporation has been asked to arrange the additional imports. This corporation has already contracted imports of about 29,000 tonnes of copper and 30,000 tonnes of zinc in terms of the import policy announced in April.

A close watch is being kept by the government over the availability of other essential raw materials for industry. Liberalisation of imports of these items too is not ruled out. The government is anxious that raw material difficulties do not hamper production in any way.

The secretary of the ministry of Industry, Mr Mantosh Sondhi, revealed at the last week's meeting of the Engineering Export Promotion Council that with a view to maximising exports of engineering products, the government was not averse to making available steel to exporting units at the export price. A decision in this regard is understood to have already been taken in principle. The step should go a long way in stimulating exports of simpler types of steel products in the production costs of which the cost of steel is an overwhelming component.

Following the pattern of the Rs 9 crores worth contracts secured by the Heavy Engineering Corporation for exports of its equipment to third countries which are being assisted by the Soviet Union, there are encouraging signs of similar contracts being entered into with Romania and Czechoslovakia. Both these countries have shown interest in this pattern of exports. Discussions in this regard have already been initiated. The Soviet Union also is exploring further the possibilities of such tripartite arrangements.

As already reported in this column, the EEPC has set before itself the targets of exporting engineering products worth about Rs 500 crores during the current financial year, and worth nearly Rs 650 crores in 1978-79.

Along with the concerted drive launched to increase exports of engineering products, vigorous steps are being taken for the transfer and sale of technologies developed by our research institutions to the other countries interested in them. The Council of Scientific and Industrial

Research (CSIR) has recently finalised, in concert with the National Research and Development Corporation, a proposal for setting up in Burma pilot plants for the production of miltone, orange juice concentrate, sodium alginate, hardboards, strawboards, filter papers, manganese dioxide and calcium carbide. Several other proposals are also understood to be under consideration. These include the sale to Britain of the technology for the manufacture of PM² aluminium alloy conductors which can replace copper conductors. The United States has shown interest in the CSIR's technology for leather tanning.

The efforts of the CSIR to promote utilisation of its technologies has shown encouraging trends in the recent past. Several industries based on its know-how are currently being set up by scientists-entrepreneurs. These relate to the production of vacuum gauges and vacuum leak detectors, aluminium anodes for cathodic protection, titanium substrate insoluble anodes, diosgenin, submerged arc welding machine and to the recovery of zinc.

significant contribution

The CSIR has made a number of significant contributions to indigenous technology during the last calendar year, particularly in the small and medium-scale industrial process and the technologies relating to rural development. Multi-disciplinary, multi-laboratory and multi-organisational projects concerning fibre composites, electronic materials, insecticides, pesticides, drug intermediates, medicinal and aromatic plants, grain storage bins and a few other projects have been accorded the highest priority.

Another significant step that has been taken recently by the CSIR is the establishing of effective linkages with state governments on the basis of systematic studies of their plan programmes with a view to identifying the major areas of thrust in industrial, economic and social development and the major technological gaps which can be filled up by the CSIR laboratories. Guidelines have been laid down for setting up regional centres, extension units and polytechnology clinics in areas where the need for such establish-

ments is being felt. A polytechnology clinic at Hyderabad and a CSIR complex at Trivandrum have already been set up. There are proposals to establish polytechnology clinics in Bihar, Karnataka, Madhya Pradesh and Gujarat. These clinics will act as diagnostic and direction centres to get at the solution of the problems posed by industry and will be important vehicles for CSIR's interaction with industries in the states.

The CSIR laboratories have been gaining the confidence of the industry which are now utilising their technologies in greater measure. During the last year, the country's first sponge iron plant with a capacity of 25,000/30,000 tonnes per annum, based on CSIR's technology, was inaugurated at Vijayawada. The electric grade aluminium alloy conductor (PM²) also went into commercial production. The technology for the production of nitrile rubber, which has been commercialized by Synthetics and Chemicals Limited at Bareilly, is an outstanding example of not only utilisation of indigenous technology but also of successful cooperation between a CSIR laboratory and industry.

During 1975, 162 processes were released by the CSIR to industry. The total number of processes released to industry as at the end of 1975 stood at 925, of which 284 have been utilized for commercial production.

The traffic trends of railways continue

to be encouraging. The originating revenue earning freight traffic during July amounted to 17.01 million tonnes—an increase of 1.55 million tonnes over the tonnage lifted in this month last year. Compared to the proportionate this year's budget target, the above traffic was 1.01 million tonnes higher.

The cumulative total revenue earning tonnage lifted by railways during the four months to July was 67.86 million tonnes—7.00 million tonnes more than the corresponding figure for the previous year and 2.76 million tonnes more than the proportionate budget target for the period. There was increased movement under all the plan head-wise commodities except iron ore for export and fertilizers as compared to the corresponding period of last year.

The number of passengers booked during July was 271.48 millions—an increase of 41.20 millions compared to the traffic in this month last year. Both the suburban and non-suburban traffic registered an increase; the former went up by 14.4 per cent and the latter by 22.5 per cent.

The number of passengers booked between April and July totalled 1,070.08 millions—an increase of 177.85 millions over the last year's level of traffic. The increase in non-suburban traffic (21.0 per cent) was relatively more than the increase in the suburban traffic (19.0 per cent).

Eastern Economist 30 Years Ago

SEP. 6, 1946

In the history of every nation there occur a few turning points which by giving an altogether new direction to its course open a new chapter. One such turning point occurred early this week when after decades of struggle, travail and sacrifices some of the greatest patriots of the country found themselves in a position charged with the responsibility of governing the country and determining the welfare of the 400 million of its inhabitants. The transition from dependence to complete independence and freedom is not, of course, complete. A few more steps yet remain to be traversed. Nor, as Pandit Jawaharlal Nehru himself recognises, is the process or transformation from a fighting revolutionary and dynamic organisation into a practical administrative and construction machinery simple or

easy. Nevertheless, the Interim government which took up the reins of power on September 2 represents the biggest and most momentous change since Plassey.

For the first time we have a government with an undivided loyalty to the people of this country and drawing its power and strength from its own people. They owe no allegiance to any external authority; and all their policies and actions will be governed only by the sole test of the welfare of the masses of the population. They will dare to do the right, irrespective of the difficulties and hurdles they may have to surmount; they will dare even to do the wrong, unless they can be convinced of its wrongness. They will legitimately claim not only to represent the people but to reflect their needs and interests.

Farm mechanization and labour use

Dr. R. C. Verma

The author who is assistant professor in the Department of Agricultural Economics in S.K.N. College of Agriculture, has studied a sample of 150 cultivators in the district of Jaipur (Rajasthan) and has come to the conclusion that at the present level of technology there is no danger of labour displacement due to mechanization of farm operations.

THE MAIN fear about farm mechanization in India and other countries which are under-developed and over-populated is the displacement of agricultural labour. However, this danger is of only limited magnitude so long as mechanization fills the genuine gap in energy requirement and availability. It has been estimated that power input in India is only 0.30 hp per hectare as compared with 4 hp per hectare in West Germany and 2.5 to 5 hp per hectare in Japan. According to the Panel on World Food Supply (President's Advisory Committee, USA) the minimum amount of power per hectare needed for developing countries should be within the range of 0.50 to 0.80 hp. Japan which is a highly mechanised country uses at least twice as many farm workers per hectare of crop land as India.

categorisation

The present study was taken up with the specific objective of studying the impact of farm mechanization on labour use. The study was conducted in 10 relatively highly mechanised villages of Jaipur district of Rajasthan. The cultivators of the selected villages were divided into three categories:

1. Mechanised — having tractor & pumping set.
2. Partially mechanised — having pumping set only.
3. Non-mechanised — Completely bullock operated.

Fifty cultivators were selected randomly from each category. Thus in all 150 cultivators were selected for the study.

Mechanisation increases agricultural production in two ways. First, by reducing current fallows (thus increasing the marketable surplus with the cultivator) and second, by increasing productivity as increased marketable surplus would give

an opportunity to the cultivator to buy and use yield-increasing and yield-saving inputs such as improved seeds, fertilizers, insecticides, pesticides, etc.

Cropping intensity in the three categories of farms is given in Table I.

Cropping intensity in mechanized farms was significantly higher than in the non-mechanized farms. As compared to non-mechanized farms it was 40.05 per cent higher in mechanized farms, and 21.67 per cent more in partially mechanized farms.

These differences were due to many reasons. First, it was possible to prepare and sow larger area during the rainy season in mechanized farms than in the

POINT OF VIEW

non-mechanized farms. Second, it was possible to put more area under rabi (winter season) crops in the mechanized farms than in the non-mechanized farms because of the capacity to irrigate more area per day by mechanically-driven pumping set that was possible with the bullock-operated *chara* or persian wheel.

It was observed that mechanized farms used improved technology to a greater extent than the bullock-operated farms. Expenditure on physical inputs such as improved seeds, fertilizers, insecticides and pesticides was taken as the criterion to measure the level of technology used in a farm. Table II, gives the average expenditure incurred on the purchase of

physical inputs by the cultivators of the three categories of farms.

Per farm as well as per hectare expenditure on seeds, manures, fertilizers and other chemicals was the highest in mechanized farms followed by partially mechanized and non-mechanized farms. The high amount of expenditure on seeds, manures and fertilizers on mechanized farms indicated that mechanization did not only make it possible for the farmers to put more area under crops but it also induced them to use yield-increasing and yield-protecting inputs such as improved seeds, fertilizers, pesticides, weedicides, etc in larger quantities.

the reasons

The greater use of higher level of technology on mechanized farms than non-mechanized farms was because of (1) better financial position of the mechanized farms which enabled them to purchase costly inputs; and (2) the higher intelligence level and broader outlook (and consequently the higher risk-bearing ability) of the cultivators of mechanized farms which induced them to put more area under higher-yielding varieties and cash crops.

Area under high-yielding varieties and cash crops in the three categories of farms is shown in Table III.

The proportion of total cropped area under high-yielding crops such as Mexican wheat and hybrid bajra and such cash crops as onion, garlic, *zeera*, *methi*, melons and chillies was significantly

TABLE I
Cropping Intensity on Mechanized and Non-mechanized Farms

Category of farms	Cropping intensity %
Mechanized	119.41
Partially mechanized	101.03
Non-mechanized	79.36

higher in mechanized farms as compared to non-mechanized farms. In non-mechanized farms, the area under these crops was only 9.47 per cent of the total cropped area, whereas in partially mechanized and mechanized farms, it was 17.07 per cent and 22.80 per cent respectively.

Labour employed in all the three categories of farms is given in Table IV.

The total availability of family labour in the farm was calculated by multiplying the number of family members (man equivalents) with the number of days worked on the farm. The availability of family labour was more on non-mechanized farms than on mechanized farms. During the investigation it was found that only half the number of members of the family were working on mechanized farms as against two-thirds in non-mechanized farms. Consequently, the availability of family labour per farm as well as per hectare was more on the non-mechanized farms than on the mechanized farms. In this way, farm mechanization induced the family worker to think, try and exploit better work opportunity available outside the farm.

seasonal pressure

On the mechanized farms where many farm operations have been mechanized, the pressure of seasonal operations increased cropping intensity and larger outputs compelled the use of quite a large number of hired workers. On partially mechanized and non-mechanized farms, family labour was found to be sufficient to do all the farm operations except in the peak season, specially during the period of October-November when the farmers have to cope up with the harvesting and threshing operations of kharif crops and field preparations and sowing of rabi crops, when a small number of workers were hired. Thus, a high degree of mechanization was found to increase the opportunities of labour employment on the farm.

The total labour employed per farm was the highest in mechanized farms followed by non-mechanized and partially mechanized farms. However, the labour use per hectare of cropped area declined

substantially with increase in the intensity of mechanization. Thus, farm mechanization on the one hand, understandably too, reduced the labour requirement per hectare of cropped area and on the other, it increased the cropping intensity which in turn created more employment opportunities per farm.

The installation of only pumping set on a farm, as a token of mechanization, not only reduced labour requirement per farm but also per hectare of cropped area.

This was simply because the amount of labour relieved from the irrigation operation due to installation of the pumping set was even more than the enhanced requirement of labour due to increased cropping intensity.

Thus, at the present level of technology there is no danger of labour displacement due to mechanization of the farm operations. Rather there are chances of increased employment on the farm as a whole.

TABLE II
Average Expenditure on Physical Inputs Per Farm and Per Hectare
(in rupees)

Category of farms	Total expenditure	Expenditure per hectare of cropped area
Mechanized	4779.95	280.18
Partially mechanized	3278.08	279.70
Non-mechanized	1654.25	191.47

TABLE III
Area under the High-yielding Varieties and Cash Crops

Category of farms	Total cropped area (hect)	Area under H.Y.V. & cash crops (hect)	Percentage of the total
Mechanized	17.06	3.89	22.80
Partially mechanized	11.72	2.00	17.07
Non-mechanized	8.65	0.82	9.47

TABLE IV
Labour Employed
(in man-days)

Category of farms	Family labour/farm	Hired labour/farm	Total Labour	
			Per farm	Per hect. of cropped area
Mechanized	975	868	1843	108
Partially mechanized	1315	74	1389	119
Non-mechanized	1361	107	1468	170

Need for employment-oriented growth

Virendra Agarwala

The author has reviewed the problem of growing unemployment in our country since 1950 and has suggested that more attention should be paid to vocationalisation and intermediate technology. He feels that through intermediate or appropriate technology the dual purpose of growth and employment generation can be achieved.

ONE OF INDIA'S major problems remains the growing unemployment. At the end of the last year nearly five million young men and women, half of them matriculates and about a million with graduate and post-graduates qualifications, were officially listed as job-seekers. Only a little more than 150,000 persons were able to find jobs during the year i.e. three out of every 100. Obviously, the availability of jobs is far outstripped by the growth in the demand for them. The situation among engineers was slightly different. There were fewer unemployed engineers at the end of 1975 than there were three years earlier. This was due less to any large-scale increase in the number of available jobs than to decline in the number of students seeking engineering courses when unemployment among engineers was widespread.

At the end of the first five-year Plan in 1956, the unemployed numbered 5.3 million. Their strength rose to 7.1 million at the end of the second Plan period, 9.6 million at the end of the third Plan period, 13.2 million at the end of the three annual Plans and more than 14 million at the end of the fourth Plan period. These were only rough estimates made by the Planning Commission, the actual figure probably was much higher than that indicated by these estimates.

disguised unemployment

In the rural areas, there is an acute problem of disguised unemployment or under-employment. It is estimated that as much as 22.19 per cent of the rural work force has work to do for less than a full week in a month. A large section of the landless labour remains unemployed for a considerable part of the year. The marginal and small farmers do not have

sufficient work to do throughout the year. The union Finance minister, Mr C. Subramaniam, has called for the creation of 75 million additional jobs in the rural areas though he has earmarked only Rs 15 crores for this purpose. The planners have not considered it appropriate even to mention about the magnitude or the pattern of unemployment and under-employment in the country during the fifth Plan period. There is no specific policy for promoting full employment although it should be obvious to the planners that there can be no meaningful development of the economy unless the problem of unemployment and under-employment is treated as the most vital element of planning.

balanced growth

Growth is a must, but we do not need lop-sided growth. What we need today is that kind of growth which creates a vast employment potential to absorb our growing population. It must be appreciated that a large unemployed population constitutes a parasitic burden on those engaged in production.

Policy-makers must try to influence the four major variables which determine employment growth, namely, the population growth rate and the participation rate on the supply side and the rate of investment and technical change on the demand side. There is no need to make any comment on the need to reduce the birth rate because this need is universally recognised. However we must note that there is a 15-year lag between a decline in the birth rate and the decline in the labour force entry rate. It is widely appreciated that the forecast of a 1,000 million population by the turn of the century has brought realisation of the imperative need for popula-

tion control. This in turn has encouraged advocacy for compulsory sterilisation.

The population policy stipulates the raising of the age of marriage from 15 for girls and 18 for boys to 18 and 21 respectively, peg representation of states in the Lok Sabha and the devolution of central resources to them at the 1971 population level until 2001 AD, and earmark eight per cent of central assistance to state plans on the basis of performance in female education at least up to the middle level as well as to child nutrition.

lowering birth rate

The government's new policy is linked to a target of lowering the birth rate from 35 per 1,000 as at present to 25 per 1,000 by 1984. Given a further drop in the birth rate too, it is assumed that the net population growth rate will be lowered to 1.4 per cent by that date. It is not compulsion but the process of education which can go a long way to control the growth rate in population—an essential ingredient for evolving a full employment policy.

The role of education has remained a debatable point from time immemorial. The Education Commission had recommended vocationalisation of pre-university education more than a decade ago. It was felt that the student must choose his career according to his aptitude, the job opportunities available to him and the development needs of the society. The new system which after 10 years of high school would add two years vocational education is expected to meet these requirements. However actual implementation of the plan is not so easy. There are 43,000 high schools and over 10,000 higher secondary schools involving millions of students in the country who will be affected by this change. Vocationalisation of education will also require laboratories, workshops and trained teachers on a mass scale. After the availability of these has been ensured, vocations which have room for new entrants will have to be identified. It

is believed that vocationalisation would reduce the number of educated unemployed. It is essential that before imparting, vocational training surveys are conducted to assess job opportunities in different fields of activities. The need for restricting admission to colleges and universities is recognised by educational planners. The 10+2+3 system seeks to sort out the academic type from job seekers and to offer the latter a viable alternative to university education. The basic point of the new system is the plus 2 level. The success of the new system largely depends on whether it is able to canalise a vast majority of school learners into vocational course designed to prepare them for middle level and semi-skilled professional jobs.

Wardha system

Gandhiji had drawn up what is popularly known as the Wardha system of education. This was adopted by a few states as the basic education system at the primary level. The accent was on imparting instruction in the traditional or family crafts. The scheme was open to objection in the sense that it perpetuated a family trade or skill whether or not the young learner had the will or inclination to carry on his father's trade. The basic education system did not prove successful, not so much because of any inherent defect but because the system could not be sustained in the absence of enough devoted teachers. It also fell a victim to an unresponsive bureaucracy. Any educational system is only as good as the people who run it.

The 10+2+3 system ought to learn a lot from the operational and administrative experience of the basic educational system. The new system also calls for meaningful correlation between the education curricula and man-power needs of the economy. Dr Zakir Husain pleaded hard for a fair trial of basic education but it could not produce any tangible result. He was not particular about charkha or family's craft. What he desired was that there should be some sort of vocationalisation of education with emphasis on an over-all development of the child's personality.

It is argued that university education is not meant for job-seekers. The Education

minister, Professor Narul Hussan, told the All India University Conference held in New Delhi last year that it should not be the concern of the centres of learning and institutions of higher education to prepare students for the employment market. Higher education ought to develop in a student an over-all personality, the faculty for analytical thinking and a measure of self-confidence. But a survey in Maharashtra revealed that hardly two per cent of the unemployed graduates were willing to avail themselves of the facilities offered by the government-sponsored self-employment scheme. Among other things, this indicated a deplorable lack of self-confidence. The government has done little to apply its mind to the various aspects of the educational system required to be made available to the new generation. It has posed a serious problem to make the citizen of tomorrow fully self-reliant in acquiring a vocation for himself.

The maximisation of the investment rate must remain the most important ingredient of employment policy. It is true that we as a nation had to spend more than Rs 100,000 crores on planned development during the last 25 years. It has

ensured an annual growth rate of 3.7 per cent but it has done very little to create employment potential for the new generation. In a poor developing economy, investment growth and employment potential are highly complementary but the crucial question is whether the investment rate has accelerated growth in such sectors as would maximise the employment opportunities at least for those who have acquired some technical knowhow. Unfortunately, the number of the unemployed has considerably increased as stated above after every five-year plan period.

Plan outlay has been stepped up by more than 31 per cent in 1976-77. But it is meant to be invested in such priority sectors which are not likely to raise significantly employment potential. Measures are needed to influence the rate and pattern of technological change so that employment growth does not lag behind investment growth as much as it has done in India so far. In a large number of sectors where there is no effective choice of techniques, the available technique has to be used.

It is widely appreciated that intermediate (or appropriate) technology

can ensure prosperity to impoverished rural areas, it can increase the productivity of labour, improve incomes and spending power, stimulate local small industry

and save scarce foreign exchange by replacing imports. It is rather unfortunate that in spite of these advantages, the intermediate technology has aroused hostility.

Medium technology alone can be the effective answer for meeting the challenge of growing unemployment not only in India but in the developing world as well.

Urbanisation in Rajasthan

Analysing the data thrown up by population censuses, the author has drawn attention to the uneven distribution of urban population and has urged the government to take into account such problems as housing, availability of drinking water, sanitation, transportation etc. of urban centres while drawing up the development plans for the state.

RAJASTHAN USUALLY projects before our mind the picture of a backward state. But the development activities especially undertaken after Independence have in no way been less effective in Rajasthan, resulting in an increase in the number of city dwellers. This article examines the process of urbanisation and urban growth particularly during the 1961-1971 decade in Rajasthan.

In 1971 about 17.63 per cent of the total population of Rajasthan was urban, which was near to the national figure of about 19.8 per cent. A three-fold increase took place in the state's urban population between 1901 and 1971. The urban population increased from 1.55 million persons in 1901 to 4.55 million persons in 1971. Between 1921 and 1971 the rate of increase was four per cent per year as against 5.5 per cent for India's urban growth.

accelerated process

The urbanisation process has been accelerated in the state since 1931. One interesting fact about Rajasthan is that till 1951, the state had a higher urban ratio than the all-India figure. This does not however give the real picture of urbanisation trends in Rajasthan. The urban ratio remained almost constant during the first four decades of this century (1901-1941). The main reason behind this was that the real tempo of economic development in Rajasthan started only after the reorganisation of the state in 1956. Prior to this, most of the urban centres of Rajasthan were seats of feudal lords or chieftains especially meant for their administrative convenience, trade

K. R. Pichholiya

1.26 million persons in the urban population of Rajasthan during 1961-1971. During the last seven decades 52 new towns have been added to the urban map of Rajasthan. It is of interest to note that the number of towns increased in each decade. During the period 1901-1941, the increase in the number of towns was insignificant as only 19 towns were added in the list of 1901. But in 1951, 20 new towns were added in the list. In 1961 due to change in definition of urban places 84 towns were excluded from 1961 list. Actual new places added in the list of towns were only three taking the total number of towns to 145. During the decade 1961-71 only six new places were added in the list taking total number of towns to 151 (excluding six urban places namely; (1) Ganganagar, (2) Buinasar, (3) Amber, (4) Sanganer, (5) Vidyavihar and (6) Man, which have been considered as a part of the urban agglomeration).

There has been an increase in the number of towns of all the categories (Table 2) except V and VI. The total number of V towns decreased from 51 to 38 in 1961

TABLE I

Urban Population of Rajasthan : 1901-1971

Census year	Urban population	% of urban population to total population	Percentage decade variation
1901	15,50,656	15.06	—
1911	14,75,829	13.44	— 4.83
1921	14,75,335	14.33	— 0.03
1931	17,29,205	14.72	+17.21
1941	21,17,101	15.27	+22.43
1951	29,55,275	18.50	+39.59
1961	32,81,478	16.28	+11.04
1971	45,43,761	17.63	+38.47

Source: Census of India, 1971 (Rajasthan), Part II, General Population Tables.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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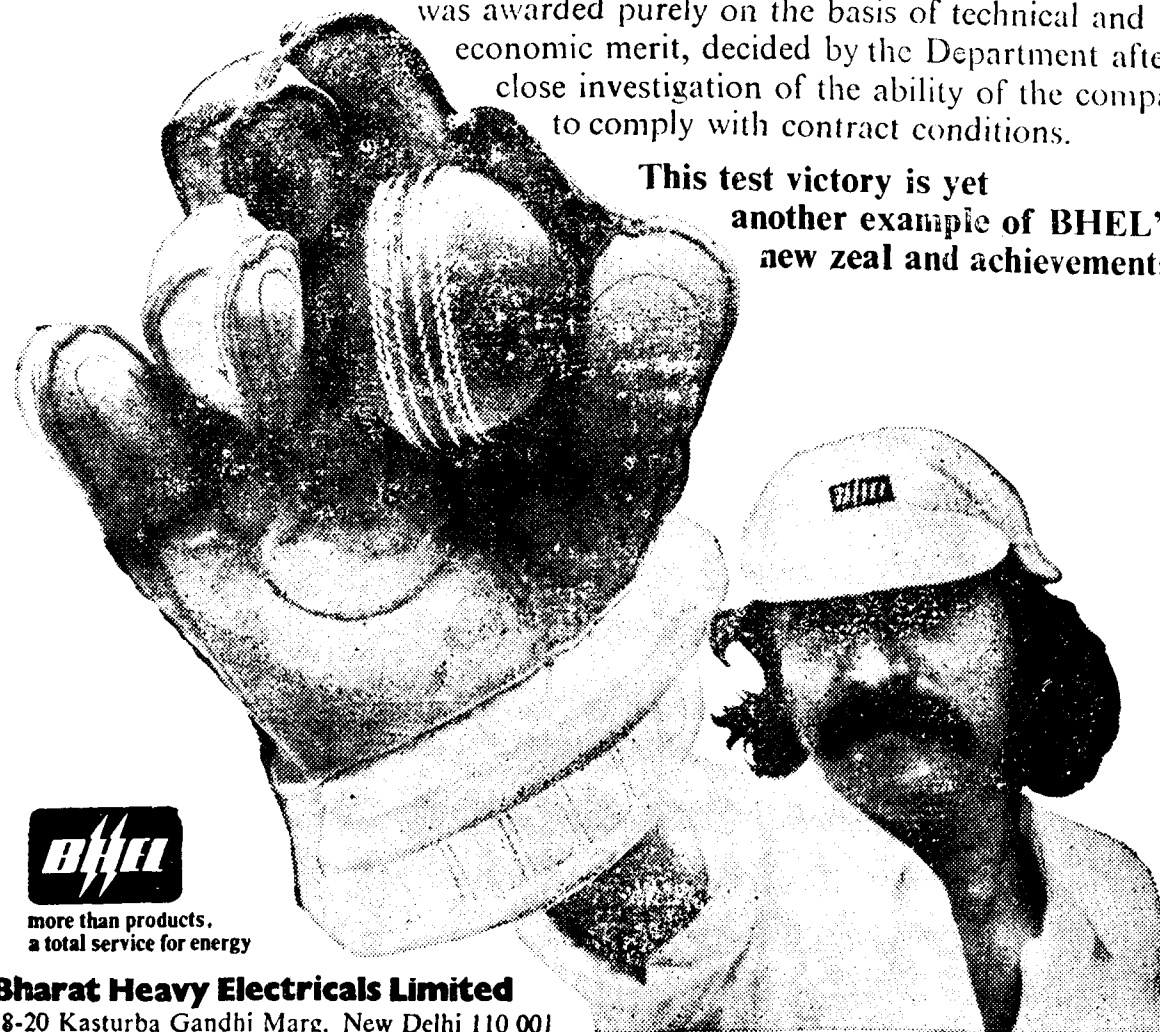
New Zealand declares BHEL the winner!

BHEL has won yet another test of merit. It will supply all the eight 53 MW hydro generators for the Ohau B and C power stations—providing 424 MW of additional power to New Zealand.

Excerpts from a press release issued by the Minister of Electricity, Government of New Zealand: Contracts have been awarded by the New Zealand Electricity Department for Main Generating Equipment for the Ohau B and C Power Stations, the Minister of Electricity, the Hon. E.S.F. Holland, announced today... The eight 53 MW generators will be supplied by Bharat Heavy Electricals Ltd. of India... The contract is one of the largest ever awarded by the Department for Hydro Power Station Equipment. The size of the contract attracted international attention and tenders were received from 12 countries. The contract

was awarded purely on the basis of technical and economic merit, decided by the Department after close investigation of the ability of the company to comply with contract conditions.

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to 1971 and VI towns decreased from nine to four during the same period.

The most outstanding feature of urbanisation in Rajasthan is that of a faster urbanisation in the larger cities than the smaller ones. In 1971 about 42 per cent of the total urban population of Rajasthan was living in seven major class I cities (Table 3). Class II towns were inhabited by about 11 per cent of the urban population in 1971, which showed a small increase over the 1961 Census. In the case of Class III towns where the number has increased about four times since 1901, the increase in the proportion of population has been only three per cent. Similar is the case with other classes of towns. The decline in the proportion of population living in lower order of towns is due to the fact that towns of higher class have grown at a much faster rate than the smaller ones (Table 4).

Alwar acquired the status of a Class I town for the first time in the 1971 Census. It is the smallest of the state's seven class I towns. Alwar was the capital of the erstwhile state of the same name.

large towns gain

Thus during 1961-71 larger towns steadily gained in population reflecting a tendency towards larger urban agglomeration. In other words big cities and towns became bigger. The major reason for the growth of population in big cities and towns has been the large-scale migration from villages.

A study of urbanisation in Rajasthan during 1961-71 Census is incomplete without a reference to the rapidly growing towns. Sixteen towns recorded an increase of 50 per cent or more in their population during 1961-71 (Table 5).

Ramarkable progress took place in the Deoli town of Tonk district, the growth rate of this town during 1961-71 was, 133.2 per cent which is the highest among all the rapidly growing towns. Deoli town has become a big service centre in the region. Vidyavihar a urban agglomeration of Pilani recorded growth rate 100.87 per cent during the period 1961-71. High growth of Vidyavihar too is due to the develop-

ment of educational activities of Pilani University. Bhilwara, Kota and Annupgarh developed rapidly due to their fast industrialisation, trade and commerce.

Having studied the pattern of urbanisation in the state, it is worthwhile to understand the regional distribution of urban centres. Towns are not evenly distributed on the map of Rajasthan. On an average there is one urban centre for an area of about 20,000 sq km as against one urban centre for 1,000 sq km area

for the whole country. More than two thirds of the total towns of Rajasthan are concentrated in the eastern section, while western Rajasthan with more than 60 per cent of the state's total area has less number of towns, mostly located in the southern and northern portions where climatic conditions are relatively better.

Ajmer district is the most urbanised district where 37.6 per cent of the people live in urban centres. This is followed by Jaipur with 30 per cent. Some of the

TABLE 2

Number of Towns by Size in Rajasthan: 1901-1971

Size of Towns	Year							
	1901	1911	1921	1931	1941	1951	1961	1971
I 100,000	1	1	2	2	4	4	6	7
II 50,000-99,999	4	3	2	2	2	4	4	7
III 20,000-49,999	8	8	7	9	13	20	23	31
IV 10,000-19,999	25	24	20	26	28	37	52	64
V 5,000-9,999	47	48	54	55	58	61	51	38
VI 5,000 & Less	14	18	25	19	13	16	9	4
Total	99	102	110	113	118	142	145	151

Source: Census of India — Rajasthan Part II-A, General Population Tables, Page XXI.

TABLE 3

Class of Towns and Population: 1961-1971

Class of towns	1961		1971	
	No. of towns	Per cent of population	No. of towns	Per cent of population
I	6	37.84	7	41.87
II	4	7.35	7	10.75
III	23	20.34	31	20.47
IV	52	21.56	64	19.77
V	51	11.87	38	6.78
VI	9	1.04	4	0.36
Total	145	100	151	100

Asian Statistical Institute

The 19th session of the United Nations Statistical Commission will be held in New Delhi from November 8 to 19 this year. Besides many other problems, the coordination of international statistics programmes will come up for discussion at this session. The part played by the Asian Statistical Institute, Tokyo, in training statisticians from various countries in this area for the last six years has indeed been very helpful in making correct appraisal of data collected by governments. The author who is both the director and the project manager of the institute has briefly outlined the ground so far covered. The largest number of participants came to the institute from Iran (53), followed by Indonesia (45), Sri Lanka (42) and Republic of Korea (41). Only 24 participants from our country have so far taken part in courses conducted by the institute

THE INSTITUTE was established to help improve the statistical services on which the governments of the developing countries of the ESCAP region rely for planning and for assessing economic and social development. Specifically, the institute's task is to train statisticians for leadership in the statistical services of their governments. The institute receives funds from the countries of the Asia and Pacific region, from the United Nations Development Programme and a large contribution in kind from the government of Japan. Generous assistance has also been pro-

vided by the government of the Netherlands and a number of other developed countries.

The institute was formally inaugurated on June 1970, when its first ten-month general course started. Since then until September 1975, 161 fellows underwent training in five general courses of ten-month period each, 89 fellows in five advanced courses/seminars of six-week period each, and 140 fellows in six country/sub-regional courses of varied durations. With the termination of the

WINDOW ON THE WORLD

A few additional fellowships might be awarded from other sources.

The institute also conducts annually advanced courses/seminars of four to eight weeks in specialised fields of statistics for senior statisticians who are nominated by the countries and selected for the award of fellowships by the institute. During the first phase, the following topics were covered in five advanced courses/seminars:

1. World economic censuses and

J. G. Miller

related inquiries for the Second Development Decade, held in 1971;

2. Evaluation, analytical processing and use of population census data, held in 1972;

3. Role, planning and conduct of sample surveys with emphasis on error control and interpretation of results, conducted in 1973;

4. Role, function and methods of obtaining agricultural statistics with emphasis on an integrated programme of agricultural data collection in the developing countries of Asia and the Far East, held in 1974;

5. Statistics required for development planning in the ESCAP region, held in 1975;

Since the commencement of the second phase, the following advanced courses have been held:

6. National accounts, held in 1976; and

7. Planning, designing and organising of population census, also held in 1976.

country courses

Further, the institute holds "country" or "sub-regional" courses, which are given for the country or the group of countries requesting them, and which enable training to be imparted to some fifteen to twenty-five fellows of a country or a group of several countries at one time. In the first phase, country/sub-regional courses of this category were conducted as follows:

1. Sub-regional course concurrently on international trade statistics and on statistical methods, given in Fiji for countries of the South Pacific Commission, in 1972;

2. Country course on national accounts, given in the Republic of Korea in 1972;

3. Country course on national accounts, held in Iran in 1973;

4. Country course on basic aspects of general applied statistics, held in Afghanistan in 1974;

5. Country course on sample surveys

TABLE 4
Population of Class I Cities

City	1951	1961	1971	% increase	
				In 1961 over 1951	In 1971 over 1961
Ajmer	1,96,633	2,31,240	2,64,291	17.60	14.29
Alwar	57,868	72,707	1,00,378	25.63	38.06
Bikaner	1,17,113	1,50,634	1,88,518	28.62	25.15
Jaipur	2,91,130	4,03,444	6,15,258	38.58	52.50
Jodhpur	1,90,717	2,24,760	3,17,612	17.85	41.31
Kota	65,107	1,20,345	2,12,991	84.85	76.98
Udaipur	89,621	1,11,139	1,61,278	24.01	45.11

TABLE 5
Rapidly Growing Towns: 1961-1971

Class of town	Name of town	Population	Growth Rate (1961-1971)
I	Jaipur	6,15,258	+ 52.50
	Kota	2,12,991	+ 76.98
II	Bhilwara	82,155	+ 88.87
III	Hanumangarh	30,017	+ 67.61
	Chitorgarh	25,917	+ 53.46
IV	Dungarpur	19,773	+ 55.02
	Jaisalmer	16,578	+ 98.25
	Suratgarh	14,491	+ 73.96
	Sangria	13,000	+ 60.26
	Deoli	12,299	+ 133.20
V	Ramganjmondi	11,185	+ 64.36
	Bhawanimondi	11,036	+ 52.28
	Keshoraipatan	7,286	+ 55.98
	Vidyavihar	6,958	+ 100.87
VI	Kherli	4,798	+ 52.95
	Annapgarh	4,571	+ 99.26

western districts such as Jounpur, Bikaner and Churu show high proportion of urban population, but this is due to scanty habitation in these areas where the cities of reasonable size make the urban ratio higher. The backward and tribal regions of Barmer, Jalore, Dungarpur, Banswara and Jhalawar districts have only two small towns. One town has to serve an area of about 20,000 sq km. Barmer district is also deficient with one town for 15,000 sq km.

The position of Bikaner and Jodhpur also is not better. There is one town for an area of 7,500 sq km and 4,500 sq km respectively. Ganganagar district which has the maximum number of towns, has one town for an area of more than 1,700 sq km. In the tribal backward districts of Bhilwara, Udaipur and Banswara there is one town for more than 2,000 sq km area. Thus there is great diversity in the urbanisation pattern in different areas of the state. The analysis further reveals that spatial distribution of urban centres is associated with the level of economic development controlled by various physical, social and other factors operating in different parts of the state.

uneven distribution

The study of urbanisation in Rajasthan reveals that the distribution of urban centres in different parts of Rajasthan is uneven. And as the economic development in the state is still in the initial stages a proper strategy for future development programmes is urgently required since the state has heterogeneous character and a uniform urban development policy for the state as a whole is not possible. Thus for a balanced regional development it is necessary that the state is divided into various planning regions with some uniform characteristics. In the process of urbanisation, large cities will gain rapidly in population. This will give rise to a number of problems related to housing, availability of drinking water, sanitation, transportation etc. Therefore, it is high time government planned a proper urban development policy for the metropolitan cities, new towns, and satellite towns.

and statistical indicators, conducted in Sri Lanka in 1975;

6. Country course on national accounts, conducted in Indonesia in 1975;

In 1976, the following country courses are being conducted:

7. In Papua New Guinea, on descriptive statistics and statistical procedures;

8. In Nepal, on statistical indicators; and

9. In Afghanistan, on demographic and social statistics with special reference to population census.

As to the future programme of the institute, it must be said that the need for statistics and statistical training in the region is great and extended programmes

seem to be called for. In 1977, it is planned to conduct the six-month general course and two advanced courses/seminars in Tokyo. Additionally, it is possible that as many as five country courses will be conducted and, if funds permit, one or two research fellowships will be offered for research into statistical problems of general regional interest.

ADB's role in Pakistan's economic development

Robert H. Byrnes

My Byrnes is Operations Manager in the Asian Development Bank (ADB), Manila, Philippines. Here he has given a detailed account of the various ADB loans which have stimulated the economic growth of Pakistan, particularly in power generation, industry and agriculture,

ON JUNE 29 this year the Asian Development Bank (ADB) board of directors approved a loan of \$25 million to the Pakistan Industrial Credit and Investment Corporation Limited (PICIC). This brought the bank's approved loans to borrowers in the Islamic Republic of Pakistan to a total of \$382.22 million for 25 loans covering in all 16 projects. It was also the fourth loan to PICIC.

third largest

Pakistan, the bank's third largest borrower, is a country of about 75 million people in an area of 803,943 square kilometres with approximately 93 persons per square kilometre. It is divided into four provinces: Punjab, Sind, Baluchistan and North West Frontier Province (NWFP).

Pakistan has a Gross National Product equivalent to about \$140¹ per head. About 70 per cent of the people live in rural areas and 21 per cent of the population of the country is estimated to be literate.

Pakistan provides skilled manpower for its own needs and supplies varying amounts of skilled manpower to a number of other countries, particularly in west Asia. Largely an agricultural country, Pakistan's development has been concentrated on large irrigation projects based

on the Indus river, producing most of the crops including wheat, rice and cotton. Industrial development is essentially processing agricultural products — cotton, rice, sugar and leather goods — but with a small number of industries based on natural gas. As a result of government decisions in 1972 and 1974, all major industries except the cotton textile industry, the largest in Pakistan, have been nationalised.

development plans

The fourth five-year plan (1970/71-1974/75) was abandoned following the events of 1971 and other economic developments. In the meantime, the government has been implementing annual plans since 1973/74, fixing the major objectives and the targets for each year. The annual development plan (ADP) for 1975/76 envisages a total public sector expenditures of PRs 13,700² million as compared to PRs 8,500 million in the previous year — an increase of 61.1 per cent. The ADP 1975/76 placed high priority on large increases in agricultural production, quick recovery in industrial production, removal of power and transportation shortages and exploration and exploitation of indigenous sources of energy.

The government is now preparing a

new development plan (1976/77-1980/81) which was scheduled to commence in July 1976. The background data suggest that the plan aims at a rather ambitious growth rate in GNP and, in particular, in the agricultural sector. The tentative plan envisages a total investment of PRs 135 billion, of which PRs 68 billion (50.4 per cent) is expected to be financed from foreign resources.

Bank operations in Pakistan started in 1968, when the bank extended a loan to the Industrial Development Bank of Pakistan. The bank has so far extended 25 loans aggregating \$382.22 million for 16 projects (16 loans amounting to \$260.17 million from ordinary capital resources and nine loans for a total amount of \$122.05 million from special funds resources).

In addition, technical assistance for a total amount of \$800,000 has been extended for five projects. Three of the technical assistance grants, amounting to \$500,000 were for project preparation. As a result of the bank's technical assistance two projects have resulted in bank loans.

power sector

The largest portion (31.7 per cent) of the bank's financial assistance has been given to the power sector with a total amount of about \$122 million, followed by industry (23.3 per cent), development banks (22.8 per cent), natural gas pipeline (13.9 per cent), water supply (5.7 per cent) and agriculture (2.6 per cent).

The development of energy resources

within the country is urgently required to overcome the energy shortage, and the banks assistance to the power and the gas pipeline sectors has been valuable in this regard.

The bank has so far financed two projects in Pakistan jointly with other multi-lateral and bilateral agencies. The foreign exchange cost of the Multan fertilizer project approved in December 1973 is being financed by the bank (\$27 million) and IBRD (\$35 million) while the Abu Dhabi National Oil Company provided equity. The bank extended loans totalling \$50 million in December 1975 for the Mirpur Mathelo fertilizer project together with loans obtained from Saudi Arabian sources amounting to \$80 million.

Two electricity supply utilities provide over 90 per cent of the industrial and commercial power needs of Pakistan: the Karachi Electric Supply Corporation, Ltd (KESC) is responsible for the power supply throughout its licensed area of 940 square miles which includes the city of Karachi and the immediate surrounding area, while the Water and Power Development Authority (WAPDA) provides power throughout the rest of Pakistan.

installed capacity

By March 1975, the total installed capacity in Pakistan was approximately 2,300 MW of which 340 MW was under the control of KESC, 125 MW under the control of Pakistan Atomic Energy Commission (PAEC) and feeding the KESC system, some 100 MW under the control of a number of private industries and the remainder in the WAPDA service area. The installed generating capacity in Pakistan amounted to approximately 2,582 MW in mid-1976.

Four loans totalling \$34.5 million were approved in 1972 and 1973 for the KESC for a 125 MW steam generating unit, major transmission lines, substations and consultancy services. The civil works are in progress and the unit is expected to be commissioned in mid-1977.

Two loans totalling \$16.7 million were approved in December 1973 for two hydro-turbine generators each of 100 MW at the Mangla dam together with the necessary extension of the power station and the installation of electrical

equipment to connect the generating units to the WAPDA grid. These loans have been seriously affected by inflation of costs and the tenders for the turbine generators are being recalled.

Two loans totalling \$47 million were approved in November 1974 for two hydro-turbine generators each of 175 MW at the Tarbela dam which is the world's largest earth-filled dam built by an international consortium organised by the World Bank. Substations and facilities to connect with the WAPDA grid are included. Tender placements have been prepared for this project and are expected to be issued shortly.

gas turbines

A loan of \$22 million was approved in August 1975 for 100 MW of gas turbines urgently needed by KESC. Contracts were awarded in April 1976 and the gas turbines are expected to be in commercial operations in June 1977.

The Bank has also in 1973 provided \$150,000 technical assistance to Pakistan for a system studies to assist WAPDA in assessing and improving its operations. In 1974, the Bank provided \$200,000 in technical assistance for KESC to make a study of generation and transmission facilities needed for Karachi.

The Bank has directly contributed to the industrial development of Pakistan mainly through two natural gas based fertilizer plants. Production of fertilizers in Pakistan started in 1958 and there are at present five fertilizer plants; four producing nitrogenous and one producing phosphatic fertilizers. Total annual installed capacity of these plants is 319,000 nutrient tons of nitrogenous fertilizers and 19,000 nutrient tons of phosphatic fertilizers. The actual production of these fertilizers in 1974/75 was 310,800 and 5,700 nutrient tons, respectively.

Local fertilizer production met roughly two-thirds of the country's requirements during the past five years. In 1974/75, Pakistan imported 133,100 nutrient tons of nitrogenous, 85,000 nutrient tons of phosphatic and 7,200 nutrient tons of potassic fertilizers, costing about \$77.2 million. To promote fertilizer use, the government has been subsidising fertili-

zer prices to make fertilizers available at reasonable cost to farmers.

The two plants for which loans totalling \$77 million were approved in 1973 and 1975 when completed will increase the nutrient tons of nitrogen produced in Pakistan by 149 per cent from 310,800 tons to 775,000 tons. The nutrient tons of phosphates will be increased from 19,000 tons to 89,000 tons or by 368 per cent. These plants were financed with the IBRD and the Abu Dhabi National Oil Company in one case and the kingdom of Saudi Arabia and the Saudi Fund for Development in the other.

The Bank has provided five loans totalling \$87 million for "on lending" by Pakistan Development Bank. The medium and long-term financing requirements of the industrial sector in Pakistan are met by three development finance institutions, i.e., PICIC, the Industrial Development Bank of Pakistan (IDBP) and the National Development Finance Corporation, (NDFC). PICIC and IDBP mainly finance private industries while NDFC extends credits to the industries in the public sector. IDBP and NDFC were established by the government of Pakistan and their capital shares are fully government-owned.

competitive role

The previous distinction between IDBP and PICIC, the former serving the small to medium-scale industries with the latter catering for the needs of the medium to large-scale industries is now less clear-cut, due to the public sector involvement in large-scale industries and the increased financial requirements of medium-scale industries. There is an element of competition between the two institutions which is beneficial both to the institutions and to the industrial sector.

The Bank has so far extended three lines of credit totalling \$50³ million to IDBP including \$25 million approved in December 1975. NDFC is a new institution established in January 1973. However, the role of NDFC has become important in view of the expanded activities of the public sector in Pakistan. These development finance institutions in Pakistan have been assisted by multi-lateral and bilateral aid-giving agencies

including IBRD/IDA to meet their foreign exchange resource requirements.

PICIC has so far mobilised \$390 million in foreign exchange excluding the amounts allocated to Bangladesh formerly East Pakistan), while IDBP has received \$269 million from such sources. The Bank, during loan negotiations, obtained a settlement of the outstanding issues of IDBP and PICIC relating to assets of the institutions in the former East Pakistan.

The first three development loans to IDBP and PICIC were largely reloaned (63 per cent) to the cotton textile industry. Pakistan currently produces about four million bales of raw cotton yearly, out of which cotton spinning and textile mills in the country consume 2.8 million bales (70 per cent), with the balance being exported. Cotton processing, mainly operated in the private sector, is the largest industry in Pakistan and contributes significant foreign exchange earnings and employs nearly 50 per cent of the total industrial labour force.

Currently, there are some 150 large-scale textile mills in the country, with a total installed capacity of 30,000 looms and 3.3 million spindles. Of this total installed capacity, in January, 1976, the looms were operating at about 90 per cent and the spindles at about 80 per cent of their respective capacities. At present, the country's spinning production is in excess of the weaving and finishing capacities and surplus cotton yarn, estimated at 35-40 per cent of the total spinning production, is being exported.

increasing efficiency

Emphasis is to be placed on increasing efficiency and productivity in the industry. For this purpose, the establishment of integrated cotton textile mills covering spinning, weaving and finishing is presently preferred and encouraged by government. A number of public sector cotton textile projects are also under consideration. IBRD, in association with PICIC and IDBP, is proposing to undertake a study to identify the structure, problems and prospects of the cotton textile industry in Pakistan. The study is expected to be completed around mid-1977.

In 1974, the Bank provided two loans of \$53.17 million for the Sui-Karachi gas

pipeline project. Pakistan has substantial reserves of natural gas from three fields and about 10,000 MW of hydropower potential in the Indus river basin of which approximately 560 MW has thus far been installed. The resources of oil and coal known at present are limited although the Pakistan government has embarked on a sizeable programme of oil exploration. Forty-two per cent of energy resources have been imported in the form of oil in recent years so that Pakistan has been adversely affected by the increased costs of energy since 1973.

The project which involves construction of a 305-mile long, 18-inch diameter pipeline along the right (west) bank of the Indus river, is the optimum solution to meet the projected demand for gas in concerned areas. The proposed pipeline will provide gas to the towns of Larkana, Dadu and Sehwan and other areas on the right bank of the Indus river, and will also allow gas to be collected from the recently discovered gas fields at Sari Sing and Hundi, about 40 miles from Karachi.

capacity doubled

This project will more than double the supply to Karachi, provided by a 16-inch diameter gas transmission pipeline from the Sui gas fields along a route mainly on the left (east) bank of the Indus river. This pipeline system transmits gas to the industrial areas of Hyderabad and Karachi and to industrial areas at Shikarpur, Sukkur, Rohri, Kairpur, Nawabshah, Shahdadpur and Tandoadam along the route of the pipeline. A total gas demand of 390 million cubic feet per day will be supplied in 1986-87.

The Bank in April 1976 made a loan of \$22 million for water supply and sewerage project at Hyderabad, an industrial city of 700,000 people in Sind province which followed from a bank technical assistance in an amount up to \$150,000 for project preparation, approved by the bank's board of directors on July 2, 1974. The technical assistance was awarded initially on a grant basis with the provision that should a loan be approved by the bank for the resulting project, the amount of technical assistance utilised in excess of \$100,000 would then be incorporated in such a loan.

The rapid urbanisation of Pakistan has

resulted in many economic and social problems in the cities, of which the provision of adequate water supply and sewerage facilities are among the most serious. In 1975, about 30 per cent of the total urban population had access to a piped water supply system of which about 12 per cent received water through individual house connections and the remaining 18 per cent from public stand-posts and water vendors.

quality of service

The quality of service is unsatisfactory in most cases due to overloading of the system, inadequate pressure and frequent service interruptions. Unaccounted for water loss ranges from 30 to 60 per cent depending on the age and condition of pipelines and water metres. Water quality generally is not acceptable due very often to secondary contamination originating from low pressure, intermittent service and lack of maintenance of pipelines. Contaminated water causes serious health hazards and a large number of the people in Pakistan suffer from water-borne or water related diseases mainly due to insanitary condition.

Owing to the lack of reliable data, it is not possible to give the exact number of illnesses and deaths caused by different diseases. However, according to information provided by the government, the most prevalent group of diseases in Pakistan are gastro-intestinal diseases which constitute nearly 20 per cent of all ailments. Of these diseases, 50 to 75 per cent are forms of dysentery and diarrhoea, both water-borne diseases.

A technical assistance project for the preparation of a water supply, sewerage and drainage project at Lyallpur in the Punjab province was approved at the same time as Hyderabad and is expected to result in consideration of a Bank loan in the latter part of 1976.

The main assistance to agriculture in Pakistan by the ADB is the large loans to two fertilizer plants as mentioned above. The bank has, however, also made two other loans: one through PICIC of \$3.12 million for the construction of two modern rice mills and one through the Agricultural Development Bank of Pakistan of \$6.73 million to supply fishing boat engines in

West Pakistan and cold stores and ice plants in East Pakistan. In 1972, the East Pakistan portion of the loan was cancelled.⁴

In the balance of 1976, it is likely that the Bank will lend to Pakistan for the development of Port Qasim near Karachi and water supply sewerage and drainage at Lyallpur in Punjab.

For 1977, further loans for electrical power generation at Karachi, development

banks, transport, irrigation and an agricultural credit are under consideration.

The Bank is closely coordinating with multilateral, especially the World Bank group, and bilateral agencies in financing projects in Pakistan. The Aid-to-Pakistan Consortium, sponsored by the World Bank, has been playing an important role in extending assistance to Pakistan from

such sources and the Bank is represented in its meetings.

references

1. In 1975, preliminary estimate by IBRD.
2. PRs 9.9=US\$1.00
3. Reduced to \$44.8 million by \$5.2 million cancelled and reloaned to Bangladesh on account of disbursements made prior to 1972.
4. Renewed as loan to Bangladesh Fisheries Development Project.

Norway is satisfied with the 'Snake'

Knut Getz Wold

The author, who is Governor of the Bank of Norway, has spotlighted the high rates of saving and investment in the Norwegian economy which in turn have imparted stability to it and rather low level of unemployment. Commenting on monetary reform, he has endorsed the declining role of gold and the system of floating exchange rates provided the leading countries pursue policies resulting in orderly economic growth.

AS IN other industrialised countries Norway's monetary policies are directed towards the attainment of a satisfactory rate of growth, high employment and price stability. Their operation has, of course, to be considered in conjunction with financial and incomes policies.

A few special features should be stressed at the outset. The relative importance attached to high—or rather full—employment, is greater in Norway than in nearly all other countries. Unemployment rates like those still prevailing in several other countries—e.g. five to six per cent—would be considered completely unacceptable by all political parties in Norway, whatever the cost of reducing them.

An extensive regional economic policy and stable interest rates on long-term mortgages and bonds are other features which play a relatively great role in the Norwegian policy stance. To some extent these factors complicate the operation of monetary policies in an economy strongly influenced by international developments. Exports of goods and services amount to about 45 per cent of Gross National Product (GNP).

During the years from 1960 to 1973

Norway's GNP per capita rose by an average rate of five per cent. Even more characteristic of Norway's economy than the high growth rate itself is its stability. In one of its recent studies the OECD drew attention to the fact that the variability of the percentage rate of change of GNP (as measured by standard deviation) has been among the lowest in the OECD both in absolute terms and when compared with average relationship between rate of change and variability in major countries.

The high and stable rate of growth has led to a remarkably low level of unemployment. With the exception of the winter months 1958-59 and again this winter scarcity of labour has been a dominant feature of Norway's economic scene. Even in February, this year, the rate of unemployment, including a high seasonal element, was only about 1.8 per cent.

The rates of investment and of savings in relation to GNP are higher than in most other industrialised countries. The average net investment rate during the first half of the 1970's was about 21 per cent and the net savings rate about 17 per cent of total disposable national income.

A characteristic feature is the high rate of public savings which normally cover more than 60 per cent of total net savings.

The primary monetary policy target is to keep the total supply of credit within the limits set by the available resources in the economy. In the implementation of this policy, great attention is paid to the economic policy objectives outlined above.

liquidity reserve

A system of liquidity reserve requirements is the key instrument used in order to regulate the level of liquidity of the commercial and savings banks and, consequently, influence the level of their advances to industry and other borrowers. This measure is essentially one of short-term regulation of the supply of liquidity for counter-cyclical purposes or in order to even out erratic fluctuation, e.g. those caused by tax collection dates or foreign exchange interventions.

Since a change of the primary reserve requirements takes time, while it is primarily the big banks which at first are affected by the foreign exchange intervention, Norges Bank is at present considering the possibilities for introducing credit market certificates with variable interest rates in order to make more use of open-market operations as a policy instrument. In addition, the borrowing arrangement for banks in Norges Bank is under review.

The commercial and savings banks are under obligation to invest a certain per-

KLM turns the corner

S. P. Chopra

AFTER INCURRING losses for five years in succession till 1975-76, KLM Royal Dutch Airlines has entered in the current financial year a new era of efficiency and profitable operations. In the four-month period ending in July this year, it has recorded a rise of 13 per cent in freight, eight per cent increase in passengers and 19 per cent improvement in charter flights. The load factor consequently rose to 55.6 per cent as against 52.1 per cent in the corresponding period last year. All these positive indicators inflated the earnings of the airline leading to a net profit of Dfl 20.8 million in the quarter April-June 1976.

An analysis of the causes leading to the losses of the preceding years showed that four major unfavourable influences had marred its financial results. First, the currency upheavals in the money markets of the world resulted in fluctuations in the parity values of the US dollar and the pound sterling (which are the basic currencies in the tariff system of the International Air Transport Association) which in turn reduced the earnings in terms of Dutch guilder. Second, the sharp increase in fuel prices since the last quarter of 1973 imposed an unbearable load on costs. Third, the severe recession which hit the economies of the industrialised countries in 1974 and 1975 caused a sharp decline in world trade and also stagnation in consumer's disposable income. Fourth, the rise in wages and prices all-round cut into the profitability of the airline.



But all these years, KLM was not a passive recipient of these economic buffets. With remarkable resilience, it fought the unfriendly tendencies with corrective action. The number of employees was reduced without in any way hurting the schedule of operations. Result: steady improvement in producti-

vity. For instance, capacity per employee (thousands of ton-miles) improved from 125 in 1974-75 to 129 in 1975-76 and traffic per employee (thousands of ton-miles) rose from 68 in 1974-75 to 70 in 1975-76. Surely when the results for 1976-77 are made known some time next year, there will be significant improvement under both these heads.

The intrinsic strength of KLM equity shares is reflected in the sharp upturn in their prices in the New York stock exchange. Founded in October 1919, nearly six decades ago, the Dutch state is the main shareholder of this airline though it is a limited liability company whose shares can be acquired by any one. Says a brochure prepared by the publicity department of KLM: "Its function is to carry passengers, freight and mail by air and to make a profit thereby."



In an exclusive recent interview with the present writer, Mr R. Coles, General Manager for India, Nepal and Bangladesh, said that KLM ranked sixth in size among the leading airlines of the world. "Every airline," said Mr Coles, "gives a flavour of the country to which it belongs". Having said that, he seemed to have emotionally transferred himself to Holland and started talking of the Dutch flowers, the canals, the peculiarly Dutch traits of efficiency and world-wide business relations. He tried to emphasize that while all the airlines flew the same Boeing and Douglas DC aircrafts, it was the quality of service which distinguished one from the other. And KLM, he added, did its best to impress upon the clients that what it had to offer could not be had elsewhere. This included reliability, friendliness, high degree of adaptability and modern outlook. This was a way of life or inculcation of attitude by each KLMer.

With no-nonsense attitude to work

and remarkable attention to detail, Mr Coles gave the impression of a man who knew his trade inside out. With twinkling blue eyes and the face of a prosperous European businessman, he discussed the affairs of not only the KLM but many other competing airlines, and also some of the not-very healthy practices prevalent in carrier business. To the question if aging of the aircraft was a problem with KLM, he replied in the negative. The Boeings 747 B were bought mostly during the past five years. The heart of the matter remained the load factor which luckily was expected to rise this year to 56.0 per cent—the highest in recent years.

With a population of about 13.5 millions and area of 37,000 square kilometres, the Dutch economy has only six per cent population living on agriculture, forestry and fishing. About 35 per cent of the working force is engaged in industry. It follows that 60 per cent of its inhabitants are engaged in tertiary activities, trading being on the top of the list. And besides KLM, two other multinationals have earned worldwide renown — Philips and Lever Brothers.



Discussing charter business, Mr Coles said that charter operators have also contributed to aviation and tourism by increasing the number of travellers due to a general lowering of air tariffs. By only operating with a near-full occupancy, their operating costs are no doubt lower but their service is in no way inferior today. The charter flights in fact fully serve the purpose for which they are designed and suited. Some time, though not always, the charter operators do introduce cut-throat competition on which opinion in the trade circles is divided.

Commenting on KLM's association with our country, Mr Coles said that at the time the quota was last negotiated, he

was not disappointed in view of the operational needs of Air India to the Netherlands. The authorities in India, he felt, were pretty generous and KLM always had a fair hearing.

What needs to be emphasised, he said, is that the Netherlands, in "air political terms", is a comparatively small country. It is sometimes not easy to convince other countries that the Netherlands can offer reciprocal opportunities. KLM had operated through Calcutta until 1971 when it switched to Delhi. And it is keen to extend its share of this market, he added.



Recalling KLM's association with this market, Mr Coles said that only recently they had celebrated the 50th anniversary of operations through India to the Far East. Consequently, KLM felt that it "belonged" to this region and that it

could contribute a great deal in aviation terms.



And now KLM has started "orientation talks" with the People's Republic of China so as to extend its area of operations. The most populous country of the world, China has great possibilities of increasing trade and traffic in the coming years. While negotiations are currently on, there is an early possibility of extending KLM's activities in this area in line with others such as Pakistan International Airlines, Air France and Swissair.

For the busy executive, a non-stop flight is a great time-saver. Keeping in view the interests of the business community, KLM has also started non-stop flights on a few intercontinental routes connecting Amsterdam with Beirut, Casablanca and Teheran. Iran in the past three years has gone in for rapid economic expansion and it has understand-

ably resulted in unprecedented increase in air traffic between Teheran and other business centres of Europe. So, KLM's decision to have non-stop flights has come as a boon to the traders who are always in a hurry.



It is not widely known that KLM has financial interest in several hotels. KLM did not "run" them. The organisation "Golden Tulip Hotels" is an associate group of 250 hotels in 180 cities of 40 countries. Many of the shareholders frown upon this activity which they think is one of the causes which has kept KLM in the red so far. But those who hold this view make the error of not fully grasping the impact of this service on those who use KLM flights. The computers of KLM assist in making reservations in these Golden Tulip hotels which in return has a healthy influence in raising the occupancy rates in KLM flights.

KLM at a Glance

	1975/76	1974/75	1973/74	1972/73	1971/72	1970/71
*Passenger/baggage—ton-miles	639	597	580	516	411	368
*Freight—ton-miles	415	416	360	325	292	263
*Mail—ton-miles	21	19	17	14	13	12
*Charter—ton-miles	114	134	176	145	137	115
*Total traffic—ton-miles	1,189	1,166	1,133	1,000	853	758
Load factor	54.3%	54.9%	56.5%	53.4%	52.0%	53.5%
Break-even load factor	54.5%	56.9%	58.0%	55.2%	56.5%	51.3%
*Passenger miles	6,977	6,829	6,976	6,162	5,010	4,414
Passenger load factor	55.1%	54.7%	57.3%	55.3%	50.7%	52.8%
Number of passengers carried (in thousand)	3,467	3,655	3,810	3,498	3,130	2,942
*Weight of freight carried (in pounds)	367	370	378	344	285	281
*Weight of mail carried (in pounds)	15	14	12	11	10	10
Average distance flown (in miles):						
Passengers	2,010	1,870	1,830	1,760	1,600	1,520
Freight (per package)	2,510	2,450	2,150	2,090	2,250	2,030
Mail (per bag)	2,790	2,750	2,660	2,520	2,550	2,510
**Statement of earnings (in million of US dollars)						
Total operating revenue	857	785	656	599	529	469
Total operating expenses	857	807	673	616	566	450
***Profit (P) or loss (L)	L 7	L 24	L 20	L 18	L 36	P 17
Staff as the end of the period						
Total	16,559	16,766	16,680	16,636	16,690	15,952

*In millions. **Note: Figures have been converted into US dollars at the rate of Dfl.2.70=US\$1.00. ***Including other incidentals.

Erudite commentary on monetary economics

Reviewed by
Academicus

Journey to the Mint Road and Other Essays in Monetary Economics: U.S. Navani; Published by U. S. Navani, Bombay; Pp 155; Price Rs 30.

Petro-Dollars: V. P. Chitale and Mrs M. Roy; Economic and Scientific Research Foundation, New Delhi; Pp 110; Price Rs 30.

Europe and the World: The External Relations of the Common Market: Edited by Kenneth J. Twitchett; Europa Publications, London; Pp 210; Price £ 5.00.

Wage Structure and Labour Mobility in Local Labour Market: T. S. Papola and K. K. Subrahmanian; Sardar Patel Institute of Economic & Social Research, Ahmedabad; Pp 214; Price Rs 45.

Textile Industry and Modernisation: R. D. Mohota; Current Book House, Bombay; Pp 204; Price Rs 55.

Economics of Hedging: M. G. Pavaskar; Bombay Popular Prakashan; Pp 144; Price Rs 30.

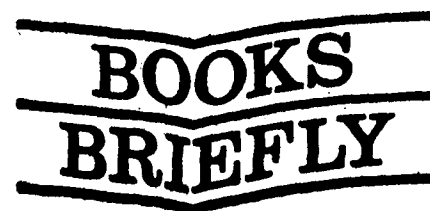
Journey to the Mint Road and Other Essays in Monetary Economics is a collection of extremely fascinating and erudite articles written by U.S. Navani in various newspapers from time to time. Since the author spent more than 25 years of his career in the Reserve Bank of India in various capacities as the director of the division of banking, of monetary economics, of publications and as editor of the Reserve Bank of India bulletin, the articles in this book exhibit a fine combination of theoretical analysis and practical knowledge of banking and administration. This fact also makes the quality of these articles manifestly different from the articles written by pure academicians.

ideal governor

In the first article on 'What Makes an Ideal Governor' the author has analysed the problem of technical qualifications of the governors. Of the first eight governors of the Reserve Bank of India, according to the author, C.D. Deshmukh alone might be said to have some central banking experience. According to the author, it is necessary that the man to be appointed as governor of the Reserve Bank should have knowledge of currency and credit, both technical and practical, though it is not necessary that this knowledge should have been acquired in the Reserve

Bank itself. But though the knowledge could be acquired from books and by study, the author rightly feels that "the theoretical knowledge should be buttressed by working in a commercial bank or a financial institution or a department dealing with government's economic policy or budgetary operations."

The author rightly thinks that "No matter how a person may have shone in other spheres such as administration or



diplomacy, the knowledge and experience in the field of monetary economics are essential to make success of this eminently technical job." The author has also warned that if a governor does not have the courage of his convictions and courage to stand up to political authority or internal intrigue and manipulation, he is not likely to do justice to this public trust reposed in a person holding this high office. According to the author, "Civil servants, who, in their formative years grew up in 'law and order' mentality would normally

find it difficult to adjust to the demands of a developing economy."

In an article on "Powers of Reserve Bank vis-a-vis Government", the author has discussed the government's deficit financing and whether there is nothing that the Reserve Bank can do in the matter. According to him, the Reserve Bank has considerable powers in this regard. There is an implied constitutional responsibility placed on the Reserve Bank not to exceed the credit to the government by way of issue of treasury bills beyond the limit placed in the central budget passed by Parliament each year. This limit corresponds to the deficit envisaged in the budget and approved by Parliament.

recourse to RBI

According to the author, each year the actual deficit has been larger than contemplated in the budget and the recourse to the Reserve Bank to finance the additional deficit without parliamentary authority appears to be improper "as it is tantamount to flouting the will of Parliament as expressed in the passing of the Finance Act." The governor will be therefore within his rights to refuse to provide to the government beyond the budget limit approved by Parliament. Even within the Reserve Bank of India Act, this much independence of the governor is provided for. Unfortunately will to exercise that power is lacking.

There is an excellent article on "Methodology of Money Supply Reconsidered". According to the author, since the Reserve Bank has been veering round to a wider definition of money supply (namely monetary resources which include time deposits at commercial and cooperative banks in addition to currency and demand deposits), it would seem appropriate "to redefine the methodology of money supply to take account of this wider concept." From the point of view of monetary control, the narrow definition of money supply which

includes currency in circulation and only demand deposits is not useful. "Monetary policy is no doubt more effective in controlling credit creation by banks as reflected in demand deposits, but the policy can be circumvented by the use of time deposits for current transactions." Time deposits have been increasing more rapidly than current deposits since World War II. They now form about 60 per cent of total deposits as against 30 per cent at the close of World War II. From the surveys of debits to deposit accounts with banks, conducted by the Reserve Bank from time to time, it appears that "the rate of turnover of time deposits has been increasing." And, therefore, it would be logical that a proportion of time deposits worked on the basis of the turnover ratios of current and fixed deposits should be included in demand deposits in computing money supply." The author is right in maintaining that "A definition of money supply which ignores these developments may not be a very useful tool of analysis."

lack of awareness

The author has warned that the contention of the Reserve Bank that "time deposits are created in a way different from the manner governing demand deposits betrays a woeful lack of awareness of the monetary creation process." The author has made a very convincing plea for the inclusion of time deposits in the concept of money supply in order to make monetary policy effective. "To place the concept of money supply on the restricted base of demand deposits plus cash, would be like going to a war with a country only on a limited information of the size of its armed men in active service, without counting the trained men who can be pressed into active service at short notice. The result can be disastrous." It is only by broadening the definition of money supply by including time deposits that it would become possible to explain the inflationary process in the country in a satisfactory manner. Proper definition of money supply is a precondition for satisfactory explanatory process and evolution and execution of proper monetary policy to contain inflation in the economy.

Writing on "The Rupee and the

Sterling Link", the author has made a powerful plea for delinking the rupee from pound sterling and allow it to float—a step which the government has already taken without adverse effects. The ultimate justification, according to the author, for floating the Indian rupee is not that the rupee will depreciate or appreciate, but that the rupee so long tied to pound sterling may at last find its true level as near to equilibrium as possible. The author feels confident that over a period of a year or two, we may discover a viable rate of the rupee and one that can be sustained over a fair length of time.

role of research

Writing on "Role of Research in Commercial Banks", the author has indicated three distinct fields of research: (i) the field of overall policy, (ii) the field of operational efficiency, and (iii) the field of management research (closely related to it being the question of publication of studies, statistics, etc.) Research in these matters has become vitally essential, especially after the nationalisation of the 14 major commercial banks in the country. Research on various aspects of commercial banking in the private as well as the public sectors is as yet a much neglected field awaiting serious attention of researchers in the country.

The two articles on selective credit controls make excellent reading and would be found very instructive by students of monetary economics and banking. The author has described their working in the USA, France, the UK, Australia and India. Examining the operation of selective credit controls in India, the author has concluded that the experiment of selective credit controls so far in India has been largely confined to restrictions on credit against certain commodities rather than to a positive canalization of credit in particular directions. By and large in coming years, according to the author, "the policy would have to be more flexible and the controls may have to be devised so as to encourage the flow of funds into desired sectors. From the largely negative role exercised so far, emphasis might very well shift to the positive role of selective credit controls."

This book of fascinating essays would

make excellent supplementary reading for students of monetary economics.

PETRO-DOLLARS

The decision of the oil-exporting countries to quadruple oil prices and if necessary to cut off supplies rocked the economies of both industrially developed countries and developing countries. Most of the industrialised countries found that they were threatened with the danger of their industries coming to a grinding halt due to lack of energy supplies. Even if adequate supplies were continued, manufacturing costs on account of increased price of oil would rise steeply with almost unpredictable consequences. As regards the developing countries, the mounting cost of energy would certainly prove a drag on their economic development. Measures taken by the oil producing and exporting countries (OPEC) to render aid to developing countries would only be of the nature of palliatives.

An important consequence of the steep rise in oil prices is "the rapid and continuing accumulation of trading surpluses at the disposal of a few oil-exporting countries."

The authors V.P. Chitale and Mrs M. Roy have examined in *Petro-Dollars* three fundamental issues which are of interest to developing countries like India: (i) appraisal of the accumulation and disposal of oil money with the OPEC over the next decade in the light of recent trends in energy markets, (ii) examination of the possibilities of recycling petro-dollars for the development of the world economy and for the stability of the international monetary system, and (iii) evaluation of India's opportunities in export trade, investment and aid potential of OPEC region as a result of the oil bonanza.

According to authoritative sources, due to a steep rise in oil prices, the world demand for oil declined from 48 million barrels per day (MBPD) in 1973 to 46.5 MBPD in 1974, while OPEC exports declined only marginally from 29.92 MBPD to 29.17 MBPD over the same period. However, the world oil consumption is expected to increase from 46.5 MBPD in 1973 to 56.2 MBPD by 1980 and to 62 MBPD by 1985. But because of intensified search for oil as well as

efforts to develop alternative sources of energy on the part of oil importing countries, OPEC's share of oil consumption might go down from its pre-1973 share of 60-62 per cent to about 56 per cent by 1980 and to about 53 per cent by 1985. And yet the OPEC oil revenues are expected to amount to 650 billion dollars during the period 1975-81 and to 541 billion dollars during 1981-85, at current prices. According to the same authoritative sources, the OPEC would earn about 108 billion dollars per year over the next decade as compared to 14 billion dollars in 1972, 23 billion dollars in 1973 and 89 billion dollars in 1974.

Since most of the oil-exporting countries do not import goods and services commensurate with their export earnings, the problems of surplus petro-dollars have arisen and have assumed alarming proportions. Leading industrialised countries of the west have been exploring several avenues for mopping up these surpluses notably by inducting sophisticated arms and by supplying services of technicians to train Arab forces to operate the equipment and by selling machinery, plant and technical know-how and personnel for producing certain capital and consumer goods in the countries concerned.

advantageous position

According to the authors, India is geographically well-placed to take advantage of the developing markets of oil-exporting countries. India has enough trained manpower who can be deployed in oil-exporting countries to carry out a variety of tasks. The authors however are of the opinion that India so far has not made concerted efforts to fully exploit these remunerative markets.

It will be seen that oil surpluses will accrue mostly to a few countries—Saudi Arabia, Kuwait, Abu Dhabi and Qatar which are still ill-equipped economically to take immediate advantage of the new wealth. Developed countries may overcome the oil payment crisis by devising various recycling plans backed by their credit-worthiness, strong institutional framework and sound industrial base. Non-oil producing developing countries are in deep trouble because of their inability to tap floating oil money. For

example, the combined bill of oil importing less developed countries would be around 10 billion dollars by 1974. Against this their total exports may amount to 34 billion dollars in 1974. This means oil imports would use up roughly 30 per cent of the total export earnings of this group of countries. Particularly hard hit by oil crisis are India, Pakistan, Sri Lanka, Bangla Desh and Uruguay which have virtually no reserves of currency and gold and insufficient credit ratings to tap private international markets for funds.

important question

The most important question is how developing countries like India are going to get through the next five or ten years with the mounting balance of payments deficits. How will this balance of payments deficits on account of oil be filled?

The authors have made a number of suggestions in this regard. According to them, the Middle East region offers tremendous scope for setting up joint ventures in petro-chemicals and related areas and also in a whole spectrum, ranging from infrastructure development—ports, ship repair facilities, tanker fleets, pipelines, sewers, road transport, etc.—to specific industries such as fertilisers, cement, food-processing and consumer goods of all types.

According to the authors, though India has taken rather late and half-hearted measures to establish new contacts and explore the possibilities of industrial ventures, she has missed many opportunities. India has also to compete with international giants in establishing industrial ventures in sophisticated areas of technology like petroleum-refining, petro-chemicals, fertilisers, aluminium, etc. The authors are of the opinion that "it is unlikely that India will emerge as a strong competitor in the realm of providing technology and know-how of a sophisticated nature." But according to them, "India possesses the competitive competence to make a bid for joint ventures in conventional technologies." For example, there is vast scope for civil engineering. Since scope for aid from the oil-exporting countries is limited because of religious, regional pulls, India can hope for only limited access to the OPEC's petro-aid

programme. This means India will have to think in terms of pushing up exports of capital and consumer goods of all types to this region as also in terms of joint ventures involving intermediate technology.

India now appears to have realised the possibilities of exploiting the markets in the Middle East region. India's exports to the Middle East countries have moved up from 236.52 million dollars in 1971 to 824.65 million dollars in 1974. But India's imports from the same region have also moved up during the same period from 375.01 million dollars to 4270.32 million dollars. Since the declaration of emergency, the issue of balance of payments deficits with the oil-exporting countries is being tackled with increasing success by establishing joint projects in the region. There is yet vast scope and if concerted efforts are made in this field and also in the field of oil-exploration within the country, India should successfully come through the oil crisis. The authors have done well to present an analytical picture of the oil crisis that shook the world during the early 1970s and continues to do so even today.

COMMON MARKET AND THE WORLD

Essays in *Europe and the World—The External Relations of the Common Market* bring out the growing economic and political influence of the European Economic Community (EEC) in world affairs. The six contributors, all of them leading authorities on international relations, have examined the relations of the European Economic Community with three major areas—the United States, the developing countries of Africa, Asia and the Middle East, and the state trading countries. The book also takes into account such recent developments as Lome Convention linking forty six less developed countries with the EEC. The contributors have also discussed the ways in which the EEC might extend areas of cooperation among themselves with a view to making the political influence of the EEC commensurate with its economic strength.

The European Economic Community is now an established fact on the international scene. The EEC was established

"to end the centuries of conflict in Europe which culminated in two world wars, to remove the economic frontiers dividing western Europe into small protected markets, to promote the economic and social well-being of the peoples of its member states, to regain some of the influence in world affairs which the states of western Europe can no longer command alone, and to further world peace and international order generally." The EEC's policies have important international consequences which affect the interests and prosperity of non-member states throughout the world.

no super-state

The EEC is not a 'super-state'; and yet it is much more than just another international organisation. Under international law, the EEC has a separate legal existence from that of member-states and has been endowed with treaty-making powers and the right to receive and send diplomatic envoys. Its own court of justice hands down rulings on matters pertaining to the EEC and these are binding on the national governments, business organisations and individuals within the EEC. "There is an embryonic but developing Community legal system in which EEC law can override national laws, and a number of Community decisions apply directly in the Nine without having to be embodied in national legislation." The higher officials of the EEC are forbidden to accept or to seek instructions from their national governments. It is also proposed that from 1976 onwards all the operations of the EEC are to be financed directly from its own financial resources.

The EEC has its unique nature which gives it the characteristics of a civilian power without however any military dimension. The EEC is nevertheless able to exercise influence on other states and regional and global organisations through diplomatic, economic and legal factors.

It is noted that "the EEC's response to the external demands made on it has been regional rather than global one." The Community is itself organised to deal with three major problem areas: the industrial world including the USA, Japan and the old white Commonwealth; the developing countries of Africa,

Latin America and the Middle East; and the state trading countries. In terms of its trade with them, the first group accounted for 54 per cent, the second 38 per cent and the third just eight per cent, in the year 1975.

The EEC's relations with all the three groups of countries are examined by different authors in this book.

K. J. Twitcheit has analysed the international activities of the EEC and his overall conclusion is that "there are numerous pressures on the Nine for collective international action, but that so far when acting together they have done so on a rather haphazard basis. In effect, in external relations the EEC does not exercise political influence commensurate with its collective economic strength."

Roger Morgan and John Pinder have examined the EEC's relations with the two super-powers. Morgan has surveyed the development of the United States' relations with western Europe since 1945, laying particular emphasis on the American role in encouraging European unity through the Marshall Plan and the Organisation of European Economic Cooperation. He has also analysed the links between economic, political and military issues. John Pinder has pointed out that

"the middle and small states of western Europe have a common interest in trying to exert a collective influence on the Soviet Union, a state which is superior to them in terms of military power." According to the author, though for ideological and political reasons, the Soviet Union has sought to impede west European cooperation, it may wish to negotiate with the EEC through Comecon, thus helping to preserve and even increase its own control over eastern Europe. According to the author, China on the other hand welcomes the increasing strength of the EEC as an international counterweight to the two super powers. The author is of the opinion that so far the EEC has made little use of its potential for common action in relation with the state trading countries. He has also suggested various ways in which this potential can be effectively utilised.

Avi Shlaim has analysed the EEC's relations with the countries of the Mediterranean basin (namely Greece, Turkey, Lebanon, Israel, Egypt, Algeria, Tunisia, Morocco and Spain). The author has argued against any attempt to build up the Mediterranean as an exclusive EEC sphere of influence. The EEC, according to the author, has made "only a very limited contribution to the economic

Health education

As part of its health education programme initiated sometime ago, the Organisation of Pharmaceutical Producers of India (OPPI), Bombay, the premier association of the pharmaceutical industry in the country, has brought out a health education booklet "Facts You Should Know About Common Diseases". The booklet presents in the form of questions and answers facts one should know about common diseases, their symptoms, precautions to be taken, prevention, etc. It is based on interviews with eminent doctors. The interviews were earlier broadcast by All India Radio as a sponsored programme "OPPI Medical Hour".

The 49 diseases covered in the booklet fall into seven categories and include infectious and parasitic diseases, diseases of the digestive system, nutritional and metabolic diseases and children's diseases.

In a 'Foreword' to the booklet, Dr V. Ramalingaswami, Director, All-India Institute of Medical Sciences, New Delhi says:

"Here is a valuable collection of practical information on health problems that people think and worry about, in the form of questions and answers, in simple easily readable style, unencumbered by lengthy 'pseudo-scholarly statements' and confusing exhibition of 'facts and figures'. The range of topics covered is vast and yet representative of people's anxiety in health, from piles to contraceptive pills, from goitre to gout. The slant is on prevention throughout".

The booklet is being distributed by the OPPI at a nominal price as a public service; its address, Cook's Building, Dr Dadabhai Naoroji Road, Bombay-400001

development of the countries of the region and in some instances has hampered development." In his opinion, the EEC's policies "have had detrimental effect for the third countries and undermine GATT..." He has advocated that unsystematic approach of the EEC to date should be replaced by a coherent EEC trade and development strategy for the Mediterranean region.

The EEC is possibly the largest and most rapidly expanding market for the exports of developing countries, some of which are linked to the EEC by association arrangements or trade agreements. Carol Cosgrove and Twitchett have shown how the EEC's relations with the third world have evolved from ties with the existing and former colonies of the Six to the point where there are now some signs of the emergence of the EEC's development policy on a global scale for less developed countries. The authors have also examined the EEC's general system of preferences for less developed countries, its various types of trade agreements with the developing world, the EEC's financial and technical cooperation programme and food aid. The authors believe that "much more could and should be done to construct a more coherent Community policy for all LDCs; the absence of which is only one of many symptoms of the lack of political will on the part of Nine to work together."

mutual interest

F.S. Northedge in the last essay in this book has pointed out that the referendum in Great Britain in June 1975 in which the British people voted for Great Britain's continued Common Market membership and its approval by the leaders of the white Commonwealth—Australia, Canada and New Zealand—was in fact in the interest of the Commonwealth as well as Great Britain. The author's overall conclusion, after analysing the British policy, is that Britain's international interests are best preserved by its EEC membership. "It no longer has the required diplomatic, economic and political strength to project them on its own, and Community membership is by far the most viable international option open to it." The author hopes that Britain's membership of new Europe will

promote a rejuvenated Britain, both domestically and internationally.

The excellent book containing essays written by persons of authority in specific fields provides a fairly detailed and comprehensive picture of the working of the European Economic Community. It is an extremely valuable study for those students who are interested in the economic aspects of international relations.

LABOUR MOBILITY

T.S. Papola and K.K. Subrahmanian have attempted in *Wage Structure and Labour Mobility in a Local Labour Market*: (i) an analysis of wage structure in Ahmedabad industrial area; (ii) measurement and analysis of labour mobility in the local labour market; (iii) a portrayal of the operation of the Ahmedabad labour market; and (iv) an examination of the effectiveness of labour market mechanism.

It would be instructive to know the findings of this study regarding demand and supply patterns, wage structure, labour mobility and labour marketing processes in Ahmedabad industrial area.

Ahmedabad is predominantly a textile centre. The cotton textile industry employs around 75 per cent of workers in the organised factory sector. Most of the cotton textile units are of large size. The units in other industries are small sized. The newly emerging industries like basic metal, metal products and machinery are dominated by small sized units. The new industries operating on the basis of small sizes have grown at a fast rate only in recent years. Textiles have virtually stagnated over a decade or so. This has resulted in structural changes in the city's industrial sector. The incremental output and employment have mainly been accounted for by 'modern' industries.

According to the authors, the changes in industrial structure have both quantitative and qualitative impact on the labour market in Ahmedabad. "Quantitatively, in spite of a fast increase in employment in industries like machinery and metal products, the size of the incremental demand for labour did not look large in view of the base being heavily dominated by an industry (cotton textile) which did

not provide any significant increase in employment opportunities during the period. But qualitatively, the demand pattern has changed. The new industries which claimed a major part of the incremental demand for labour required skill structure in their workforce substantially different from textiles and other traditional industries. The labour in Ahmedabad, has reacted to the emerging strains by mechanisms internal to it. Some flow of labour force has taken place within different industries and not from outside. The required skills were provided mainly by in-plant training to an increased extent. The market mechanism also relied upon widening wage differential. The result has been a fairly high degree of mobility among workers in these occupations.

The existence of wage-differentials among units, industries and occupations is a rule rather than an exception in any labour market. In a local labour market such as that of Ahmedabad, wage differentials are expected to be 'pure' reflecting the labour market situation in the short run, but representing the differentials on account of skills and skill structure of workforce alone in the long run.

large deviation

The authors found that the extent of deviation among wage rates of occupations is generally very high: around 50 per cent in machinery; 35-40 per cent in textiles, metal products and transport equipment. The inter-industry deviation in average wage rates is 25 per cent; but it is found to be much lower in the case of the same occupation. The authors also observed empirically the size-wise differentials are a more or less universal phenomenon. A large sized unit pays a high wage rate, many a time on account of a non-economic motivation of maintaining its status among the family of units.

The authors found that even in competitive and well integrated industrial labour market, wage rates do not completely get equalised; and inter-plant differentials continue to exist in the same industry. The reason probably is to be found in the highly standardised character of the wage structure in the industry where "the occupational wage rates are fixed under an industry level bilateral

agreements and differences among plants arise merely on account of the different composition of the workforce of plants in terms of their period of service."

The authors also found that generally unskilled and semi-skilled occupations have a greater tendency to command similar wage rates among units and industries than the skilled ones. Thus according to the authors, "the rankings and extent of deviation among occupational wage rates are generally based on skills; and the extent of wage deviation is also responsive to market situation to a certain extent."

As regards labour mobility, the authors observed that the overall extent of mobility of labour in Ahmedabad industrial area is comparatively low. Forty per cent workers never changed a job and ordinarily a job change is effected on an average in eight years. Among occupations, coolies and compositors have highest mobility rates involving one job change every 3½ years, followed by clerks, supervisors, turners, fitters, electricians and moulders. Specific textile occupations showed a very low extent of mobility.

correlated matters

It is also found that the workers' educational levels and their mobility are highly correlated. This means education seems to be one of the factors which tend to make a worker more capable and willing to make job changes. It was however noticed that mobility did not bring any substantial advantages in wages to workers, a mobile worker getting only around 20 per cent higher earnings than an immobile one in the same occupation. According to the authors, therefore "the conclusion regarding mobility looks unpalatable: mobility is not necessarily advantageous... the proverbial immobility of the Indian worker is a perfectly rational phenomenon."

The authors have some very harsh things to say about recruitment procedures in Ahmedabad industrial area. They found predominance of informal agencies in the case of recruitment. Jobs are generally secured through other workers already employed, or through blood relationship, or on account of consideration of caste. This phenomenon is akin to the 'close-shop' unionism and in

fact is worse than that as it does not have a formalised and explicit character. The authors have therefore found fault with the recruitment procedures which are primitive, family, caste and native place playing a predominant role in securing jobs. "The institutional instruments like employment exchanges have dismally failed in instilling an element of fairness and competition in the dissemination of information as well as in the matter of recruitment."

labour market

As regards the performance of the labour market, the Ahmedabad labour market appears to have operated effectively in matters of allocating and pricing of labour. Shortage of some type of skilled labour was immediately reflected in wage differentials, facilitating the movement of labour in the desired direction.

As regards the implications for labour policy, though Ahmedabad labour market has been working effectively in its functions of allocating and pricing of labour, "it does not necessarily mean that these functions could best be left to market mechanism." In fact, according to the authors, the textile case demonstrates that institutional intervention in the labour market could prove equally efficient with the added advantage of avoiding wastes involved in 'trial and error' process of the market. The authors are also of the opinion that "industry-wise arrangements for standardization of wage rates in other industries as well, particularly in engineering group industries, are highly desirable to avoid the 'wage war' among employers and unnecessary movements on the part of workers." The authors have also advocated "an element of openness to the process of recruitment." Employment exchanges would be the best solution to the problem of recruitment. The authors favour even compulsory registration of all unfilled jobs and no recruitment from outside the registrants. Further, to solve the problem of shortages of certain skills, Ahmedabad needs, according to the authors, a vigorous programme of training in industrial occupations, particularly because their industrial structure is fast changing and newer types of skills are required. While in-plant training has ser-

ved some useful purpose in the past, the authors fear that "it has the potential danger of a worker being exploited by the payment of low wages and remaining a trainee, even long after he has acquired the necessary skill."

The hypothesis that the entire country forms one labour market is not valid, especially in a vast country like India. Such a concept is not also useful for the purpose of policy-formulation. It would therefore be more appropriate to assume the existence of many local labour markets and to analyse each one of them individually as that approach would provide more satisfactory analysis of labour markets as also sound basis for policy-formulation. It is therefore fervently hoped that studies in other industrial centres will be encouraged along lines adopted by the authors in this book, with a view both to building a systematic structure of authentic information on Indian labour markets and providing basis for formulating a rational and equitable labour policy.

MODERNISATION

It is impossible to view the problems of modernisation of the cotton textile industry in India in isolation. According to R.D. Mohota in his *Textile Industry & Modernisation* inadequate cotton supply of the requisite quality and the consequent high prices of the commodity are some of the major causes of the ills that have beset the industry since partition. This means cotton supply has to be ensured by stepping up indigenous supply in such a manner as to suit the pattern of production which would be influenced by modernisation. Apart from large domestic market especially made up of the vulnerable section of the Indian society, there are vast foreign markets which have not yet been fully exploited. Modernisation and setting up of new textile units should fit into this new pattern. The author has rightly drawn attention to the sick mills and the government take-over of such mills. He has however emphasised that take-over of sick mills is only a means and not an end.

The author has rightly stressed the role of the spinning sector of the textile industry. Spinning units provide directly and in-

directly employment to lakhs of weavers. Supply of quality yarn at reasonable prices and in adequate quantities has got to be ensured especially to lakhs of weavers in rural areas to keep them fully employed and to ensure them adequate income. New spinning units along with the old ones have a significant role to play especially as spinning industry is employment-oriented in a very big way. The author has advocated a balanced and progressive approach to the entire problem.

The evils referred to by the author in the book are all well-known and he has not told anything new about the problems faced at present by the Indian textile industry. There is nothing special about the analysis while the method of exposition is extremely unsatisfactory as it is patchy and disjointed, lacking focus.

new ideas

The last chapter on "Evolution of a National Textile Policy" however does contain some new ideas and is worth perusal. On the basis of his analysis, the author has made an attempt "to evolve a comprehensive and integrated policy which will be positive, coherent, judicious and feasible in relation to the Indian cotton textile industry which will be most acceptable in the context of the present economic, social and political ideologies."

According to the author, all the textile (cotton) mills, powerlooms and handlooms—whether in the private or public sector—should be geared to produce the best quality of fabrics in sufficient quantities at prices which can be said to be the lowest under the circumstances. This has to be the guiding principle of the national textile policy.

According to the author, the government of India should be 'the general manager' of the national textile policy. All the sections of the industry should be considered as 'departments of the industry'. The general manager should see that the industry operates in accordance with its declared objectives. Since according to the policy, everything will be under the control of the government, it cannot evade its responsibility for non-fulfilment of the stated objectives. There

is also no reason why the objectives should not be achieved.

The author has employed the above new concepts to bring about a radical change in the management of the industry. The notion of 'one industry' and 'one management' will help to avoid unnecessary competition which now prevails among different textile mills, between spinning and weaving sectors, between consumers and producers and so on. As soon as 'the industry' is seen in this light, 'the manager' will immediately become aware of its chronic ailments, namely shortage of cotton which can be augmented only by rapid strides in the agricultural sector of the Indian economy. Naturally this should receive due attention of the government which is now in the seat of 'the general manager'. The agricultural sector is capable of meeting the challenge of producing and supplying adequate quantities of cotton as shown by the bumper crop of 1972-73. But the success in this sphere for a couple of years should not make us complacent. Adequate buffer-stock of cotton must be built up. Any surplus thereafter might be exported to earn valuable foreign exchange (as in 1975-76). According to the author, buffer-stock of about 5 lakh bales per year must be built up in order to maintain price stability and also to keep in check fluctuations in the supply of cotton.

ensuring highest output

Having ensured adequate supply of cotton, the government (i.e. the general manager) should try to obtain the maximum output from the present capital equipment. This should include both the modernised and non-modernised mills. At present many modernised mills which are more efficient than decentralised sector units remain closed. The manager therefore must not invest large funds in setting up new factories when some modern mills remain closed or report sick. He must try to obtain the maximum output from the existing mills before embarking upon a programme of modernisation and further expansion.

According to the author, it is essential that "not a single new spindle be installed until the existing spinning capacity is fully

utilised, though of course, the necessary repairs and renovation to utilise the existing capacity satisfactorily have got to be carried out in order to obtain the maximum benefits."

The liberal policy in respect of cotton supplies coupled with maximum utilisation of the existing productive capacity is likely to present the problem of glut of stocks in the domestic market. According to the author, this problem should be solved by maximising exports. Failing this, judicious pruning of production will have to be adopted. Among various alternatives open, the least inconvenient would be, according to the author, curtailment of the third shift in the industry to the necessary extent. The author also believes that while government controls would be necessary to control any uncommon situation, they must be kept at the minimum level, because "a large mass of controls ineffectively implemented creates more problems than it solves."

role of manager

The role of 'the manager' will not be over until the product of the industry reaches the consumer. A suitable policy will have to be evolved for this purpose. Proper distribution channel will have to be evolved and supervised with a view to eliminating the possible malpractices in the field of distribution. The author has emphasised the production of controlled varieties of standardised specifications as also the production and distribution of ready-made garments for which there is vast potential market both within and outside the country, the balance of textile production being left completely free for marketing through normal channels.

The reader gets after reading this book some sort of vague ideas about the problems faced by the cotton textile industry in India and the policy the industry should follow to overcome those difficulties. The analysis lacks logical rigour and the modes of analysis and exposition are awfully deficient and fall far short of the requirements. While the author who has earned a doctorate degree for the book has taken pains to collect vast amount of material, the statistical data needs to be recast and reinterpreted

and the whole thesis rewritten, if it is to succeed in producing an integrated and clear picture of the textile industry.

HEDGING

The economic importance of futures trading arises from the necessity of avoidance of risks. It is well-known that commodity ownership and marketing involve risks of adverse price fluctuations. It is also observed that such risks are particularly large in the case of agricultural commodities which are grown seasonally but are consumed round the year. The futures market-mechanism aims at avoidance of such risks. The process by which price risks are reduced or altogether avoided is known as 'hedging'.

Despite the long and chequered history of organised futures trading in India, M.G. Pavaskar, the author of *Economics of Hedging*, is of the opinion that no systematic and scientific attempt was made so far to assess the hedging utility of commodity futures markets to such different market functionaries as merchants, exporters, manufacturers and so on. The author has tried in this book to fill this void in the economic research on futures trading.

The author has made an attempt in this book "to ascertain, with particular reference to the behaviour of the ready and futures prices of cotton, the nature and extent of hedging utility of the cotton futures market". The study has been confined to the futures market in cotton in Bombay as it happens to be the premier futures market in cotton in the country. The study covers the period 1953-54 to 1963-64. The author has also tried to assess in qualitative terms through appropriate cost-return analysis, the degree of economic efficiency or effectiveness of hedging in the cotton futures market, as well as its bias in favour of one or the other class of hedgers. He has also examined the nature of price relationship between the ready and futures markets in cotton and has investigated the underlying causes which determine the 'spread' or difference between the two sets of prices. The structure of the cotton futures contract is also analysed in order to identify some of the major deficiencies therein which

reduce or impair the utility of the futures market for effective hedging. In the light of his analysis, the author has made a few suggestions with a view to improving the mechanism of the cotton futures market.

It is seen that commodity futures began in India almost one hundred years ago. When due to the American Civil War the flow of cotton to the United Kingdom was disrupted, it turned to India for its requirements of cotton. As a consequence cotton soon came to occupy the pride of place in India's foreign trade. In view of considerable risks involved in buying, stocking and exporting cotton, the buyers who were then mostly Europeans established the Bombay Cotton Traders Association in 1875 with the aim of "regulating in an organised manner futures business in cotton." In later years a few rival bodies came to be established. With a view to ending this unhealthy rivalry, the Cotton Central Board came to be constituted by the government of India in 1919. This body founded in 1922 the East India Cotton Association. Since then the East India Cotton Association has remained "the premier cotton trading association in the country, organising both ready and forward (including futures) trading in cotton."

For quite some time, a futures market was tacitly recognised by the trade and industry as well as by the government as

a *sine qua non* of efficient marketing. As a consequence before World War II, futures markets functioned in almost all major commodities, in addition to cotton. Though futures markets were banned during the period of the Second World War, the government of India brought on the statute the Forward Contracts (Regulation) Act in 1952 with the objective of reviving futures trading in most commodities. As a consequence in 1950s a number of futures markets were set up all over the country for trading not only in such agricultural commodities as cotton, oilseeds, vegetable oils, raw jute, jute goods, spices, gur, etc, but also in such non-farm commodities as gold and silver.

The author's earlier study on the same subject disclosed a bias in the cotton futures market against short hedges. The author then felt that this bias was essentially a feature of the cotton futures market as it functioned between 1953-54 and 1963-64. The present study reveals that such a bias is really inherent in any futures market. According to the author, this is a quite significant revelation as it goes against the hitherto accepted belief of the economic efficiency of a futures market for short hedging.

The empirical evidence presented in this study further confirms that such bias existed not only in respect of hedges

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entered into and lifted in the cotton futures contract for the same delivery month, but also in transferring hedges from the near delivery futures to the distant delivery futures. What is more significant, the bias against short hedging tends to be aggravated in conditions of shortages.

The futures market in cotton has remained suspended since 1966. The author is of the opinion that the authorities must shed their bias against the institution of futures market which is really "a strong bulwark against the malignant development of oligopoly or

oligospny situations in free market conditions."

According to Dr Pavaskar, if cotton futures market is to serve any useful function to the trade and industry in marketing and storage of cotton, it is important to improve the hedging efficiency of the cotton futures contract. But according to the author, "unless the bias in the cotton futures contract against the short hedges is removed, either wholly or substantially, the utility of the cotton futures market for hedging could hardly increase."

India and the CMEA

Economic Cooperation between CMEA Countries and India: V. Koptevsky; published by Allied Publishers Ltd., 13/14 Asaf Ali Road, New Delhi-110002; Pp. 126; Price Rs 30.

Reviewed by **S. P. Chopra**

THIS COMPACT study by a Russian "expert in the field of international economic relations"—as the blurb describes the author—has one outstanding quality, namely, precision. There is no wastage of words and the trade and aid relations between our country and the CMEA countries have been described in a cool but objective manner.

Starting with the economic progress attained by the east European countries since 1950, the author goes on to explain the stage by stage evolution of cooperation between India and each one of the CMEA countries. Not unexpectedly, the steel plants at Bhilai and Bokaro are represented here as two outstanding examples of the Russian (of course with the partial collaboration of Czechoslovakia and Poland) effort to make India self-sufficient in iron and steel production. Faithfully all the agreements signed by India and the CMEA countries in the fifties, sixties and seventies are recalled to emphasise the detailed work that has gone into the progressive rise in trade and technical collaboration.

The author has cited the 25th Congress of the CPSU and the subsequent Congress of the Communist and Workers' Parties of the Socialist Countries to show that the CMEA countries will continue to extend their helping hand not only to India but to all the developing countries.

Not many studies have been made by

Indian authors of the subject under reference. But Mr Koptevsky appears to be the first Russian expert who has attempted to look at the history of cooperation between India and the CMEA countries over the past two decades and has come up with a readable and informative book which tries to cover vast ground within the compass of 124 pages.

Books Received

Economic Cooperation Between CMEA Countries and India: V. Koptevsky; Allied Publishers Limited; Pp 126; Price Rs 30.

Sources of Variation in Agricultural Productivity: Sudhin K. Mukhopadhyay; The Macmillan Company of India Limited; Pp 121; Price Rs 40.

Economics, Planning and Public Administration: P.R. Dubhashi; Somaiya Publications Pvt; Ltd 172 Mumbai Marathi Granthasangrahalaya Marg, Dadar, Bombay-400 014; Pp 153; Price Rs 35.00.

Macmillan Studies in Economics: Financing Economic Development: A.P. Thirlwall; The Macmillan Press Ltd; Pp 95; Price not given.

Macmillan Studies in Economics: Monetary Policy: Douglas Fisher; The Macmillan Press Ltd, Pp 91; Price £1.95 net.

Cost Accounting: S.P. Jain and K.L.

Narang; Kalyani Publishers; HO 1/1 Rajender Nagar, Ludhiana; Pp 656; Price Rs 22.50.

Industrial and Commercial Law: R.C. Chawla and K.C. Garg; Kalyani Publishers; HO 1/1 Rajender Nagar, Ludhiana; Pp 850; Price Rs 24.30

Income Tax Law and Practice: S.P. Jain, V.P. Gaur and D.B. Narang; Kalyani Publishers; HO 1/1 Rajender Nagar, Ludhiana; Pp 546; Price Rs 21.00

Auditing Principles and Practice: Jagdish Prakash; Kalyani Publishers; HO 1/1 Rajender Nagar, Ludhiana; Pp 484; Price Rs 22.50.

Marginal Farmers and Agricultural Labourers: Dr N.K. Thingalaya; Economic Research Department, Syndicate Bank, Manipal-576119; Pp 111; Price not given.

From Dissociation to Rehabilitation: Devaki Jain; Allied Publishers Private Limited, 15 Graham Road, Ballard Estate, Pp 32; Price Rs 4.

Legislation and Cases on Untouchability and Scheduled Castes in India: G.S. Sharma; Allied Publishers Private Limited, 15 Graham Road, Ballard Estate, Bombay 400038; Pp 157; Price Rs 20.

History and Archaeology of India's Contracts with Other Countries: Shashi Asthana; B.R. Publishing Corporation, 461, Vivekanand Nagar, Delhi-110052; Pp 275; Price Rs 125; \$25.

The Human Settlement that We Need: C.A. Doxiadis; Tata McGraw-Hill Publishing Company Limited, 12/4 Asaf Ali Road, New Delhi-110002; Pp 84; Price Rs 60.00.

Government Policy for the Management of Public Enterprises: Volume I, General Management and Financial Management; Pp 347; Volume II, Construction Management and Production and Materials Management; Pp 333; Published by Bureau of Public Enterprises and Bharat Heavy Electricals Ltd; Copies can be had from Bharat Heavy Electricals Limited, Hindustan Times Building, Kasturba Gandhi Marg, New Delhi-110001; Price Rs 35 for (Vol. I & II).

TRADE WINDS

Monitoring of Industrial Growth

THE MINISTRY of Industry has set up a growth monitoring unit in the department of Heavy Industry under the chairmanship of Mr S.M. Ghosh, additional secretary. The unit has seven other members drawn from the department of Heavy Industry and the Directorate-General of Technical Development. Among other things, the unit will compile production data and production projections; decipher and identify trends of significance; organise pre-emptive action either in the sphere of infrastructure or input or marketing in order to sustain upward trend in production; advise the government in time in case need is felt for any policy on input; and organise such coordination as is necessary from the stage of raw materials to marketing in order to ensure steady availability of materials and outflow of the end products.

Banks' Cash Reserves Raised

The Reserve Bank has raised the cash reserves requirements of scheduled commercial banks from four per cent to five per cent of their demand and time liabilities effective from the week beginning September 4, 1976. RBI's decision has stemmed from the rising prices of sensitive commodities following the larger money supply with the public. The twin guiding factors of the Reserve Bank have been the consideration of

the current and prospective liquidity in the money market and the need for further regulating the lendable resources of the commercial banks. Banks will be paid interest on the additionally impounded reserves at 5.5 per cent per annum. The enhancement of the cash reserve ratio means the statutory liquidity ratio will stand raised from 37 per cent to 38 per cent. In a letter to the banks, Mr K.R. Puri, governor of the Reserve Bank, has said that in the context of the comfortable liquidity position, the banks should also seek to reduce their indebtedness to the Reserve Bank on account of food credit as well as non-food credit.

Donations to Political Parties

The minister for Law and Company Affairs, Mr H.R. Gokhale, moved a bill in the Lok Sabha recently for amending the Companies Act to enable non-government companies to make contributions to political parties or to any individual or body for political purposes. The only restriction on such contributions will be that they will not, in any case be more than five per cent of a company's average net profits during the preceding three years or Rs 50,000 whichever is greater.

A complete ban on contributions by companies to any political party or to any individual or body for political purposes was imposed in 1970 because, it was then contended, that they vitiated healthy poli-

tical developments and resulted in political corruption. The statement of objectives and reasons appended to the bill now says that "experience has shown that the said ban has not produced the desired result. It is, therefore, proposed to amend Section 293A so as to remove the said ban in relation to non-government companies."

The bill also seeks to amend Section 220 for making it "absolutely essential" that even where the annual general meeting of the company has not been held, the balance-sheet and profit and loss account should be filed with the Registrar of Companies to enable the shareholders and other persons to find out from inspection of the said documents, the affairs of the company and its financial condition.

Silver Export

The government has authorised exports of silver through the State Trading Corporation. A press note issued by the Commerce ministry recently stated that silver export by private sector has been banned. Exports instead will take place through the State Trading Corporation. Exports have been canalised in order to monitor them effectively and regulate them whenever necessary.

State Loans

Twelve state governments have announced the issue of new loans bearing interest at six per cent per annum for amounts aggregating Rs 82.75 crores as under: Andhra Pradesh Rs 11.25 crores, Haryana Rs 7.25 crores, Himachal Pradesh Rs 1.50 crores, Jammu & Kashmir Rs 2.25 crores, Maharashtra Rs 11.75 crores, Meghalaya Rs 1.25 crores, Manipur Rs 1.50 crores, Nagaland Rs 2.00 crores, Punjab Rs 4.75

crores, Tamil Nadu Rs 11.50 crores, Tripura Rs 1.50 crores and Uttar Pradesh Rs 26.25 crores.

All the above loans will be issued at Rs 99.00 per cent and will open for subscriptions on September 15, 1976 and close on September 18, 1976 or earlier without notice as soon as subscriptions approximate to the amount of each issue.

Maturing Date

The state governments reserve their right to retain subscriptions upto ten per cent in excess of the notified amounts. The loans will be redeemable at par on August 24, 1986. Interest on the above loans for the period September 15, 1976 to February 23, 1977 inclusive will be paid on February 24, 1977 and thereafter payment of interest will be made half yearly on August 24 and February 24 each year. Interest in respect of all loans will be liable to tax under Income-tax Act, 1961. Interest on government securities along with income in the form of interest or dividends on other approved investments will be exempt from income-tax subject to a limit of Rs 3,000 per annum and also subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of investments in the loans now issued together with the value of other previous investments in government securities and the other investments specified in Section 5 of the Wealth Tax Act, 1957 will also be exempt from the Wealth Tax up to Rs 1,50,000.

In the event of over-subscription to the loan applied for applicants tendering applications at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur,

Madras, Nagpur, New Delhi and Patna will be given the option of transferring their cash refunds to any other state government loan which may still be open for subscription. To avail themselves of this facility, applicants should complete the "Special Option Form", copies of which can be obtained at any of the offices of the Reserve Bank of India and tender the form along with their applications.

Exchange Earnings by ITDC Hotels

Hotels operated by the India Tourism Development Corporation earned foreign exchange to the tune of Rs 2.10 crores in 1975-76. In addition money changing counters of the banks operating in the premises of Ashoka and Akbar Hotels in New Delhi changed foreign exchange worth Rs 1.67 crores during the year. The outflow of foreign exchange spent by these hotels on import of essential items and promotion abroad was Rs 10.13 lakhs during 1975-76.

Heavy Equipment for Czechoslovakia

A ten-member heavy industry delegation from Czechoslovakia led by Mr Jaroslav Janik, vice minister for Steel and Heavy Engineering, called on Mr T.A. Pai, minister of Industry recently. The Czechoslovak Ambassador in New Delhi was also present during the talks. The delegation was on a visit to India for exploring the possibilities of procuring coke oven equipment, electricals and technological structural for their own needs as well as for meeting their contract requirements in third countries. Mr Janik stated that they wanted

all the equipment that India could supply for their coke oven project and wanted quick deliveries so that they could complete their project in Czechoslovakia by 1980. He told Mr Pai that his country would be prepared to purchase 70

per cent of the equipment from India and said that his delegation had come with a list of concrete requirements. Among their other needs, he listed heavy-duty transformers and other heavy electrical equipment and metal structures.

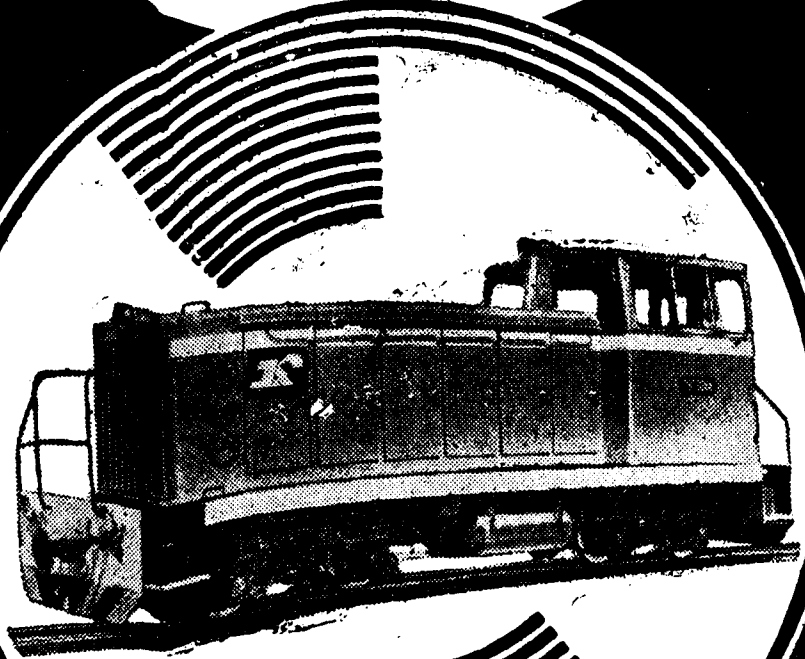
Mr Janik called for collaboration between India and Czechoslovakia in the fields of power generation, heavy industry and general engineering. He further stated that several Czechoslovak enterprises were ready to

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enter into collaboration with Indian firms with a high-level of technology on both sides. He, however, wanted imports from India to be balanced by a similar volume of exports by Czechoslovakia to India.

Power and Transmission Schemes

Nine new hydro-electric schemes out of the 27 received during 1975-76 have been technically cleared by the Central Electricity Authority (CEA). Giving this information, in reply to a question in the Lok Sabha, the minister for Energy, Mr K.C. Pant, stated that revised cost estimates were received in respect of 15 schemes of which two had so far been technically cleared by the CEA. The Central Electricity Authority has also cleared five thermal power projects out of the 15 received during 1975-76. On the transmission side, 52 schemes had been received out of which 22 had been cleared. The CEA had also cleared nine out of 15 schemes for inter-state and inter-regional lines received. In respect of the union territories, 14 power development schemes were received of which 12 had been technically cleared. A scheme for the establishment of a regional load despatch centre for the North-Eastern Regional Electricity Board was also received during 1975-76 and had been cleared by the CEA.

Oil in Bassein

The minister for Petroleum, Mr K.D. Malaviya, informed the Lok Sabha recently that oil had been struck in the two wells drilled in the Bassein structure. The minister stated that the Oil & Natural Gas Commission had found indications of gas in commercial quantity and some oil

fluorescence in cores below the gas zone in a well drilled on the South Bassein structure. About the thickness of the horizon of oil and gas discovery, Mr Malaviya said that it was very likely that 'it may prove to be one of the thickest hydrocarbon reservoirs in the country'. He, however, said that at this stage, it was difficult to make any prediction about the output of the region. Giving details of drilling, Mr Malaviya said that while no other well had been drilled on South Bassein structure, some more wells were to be drilled on the crest of Bassein structure to determine the productivity of this field. One of these had been drilled and the drilling of the second well was in progress, he added.

Onshore Drilling

The deputy minister for Petroleum, Mr Z.R. Ansari, told Lok Sabha recently that Oil & Natural Gas Commission had already started drilling operations at new locations in Gujarat, Assam and Rajasthan. These were Sampra and Dharnoj in Gujarat, Dimulgaon and Bibuber in Assam, and Bhuana in Rajasthan. He added that because of greater emphasis on on-shore operations, drilling was expected to be taken up in the current year at Puranpur and Parewa in Uttar Pradesh, Jwalamukhi, Ramshahr and Nurpur in Himachal Pradesh, Galsi and Diamond Harbour in West Bengal, Gojalia in Tripura, Changara Khawad, West Mehsana, Mehsana Horst, Miyagaon and Kavitha in Gujarat, Chargola and Laxmijan in Assam and Narsapur in Andhra Pradesh. He indicated that drilling at Puranpur in Pilibhit district of Uttar Pradesh was expected to commence in March-

April, 1977. The projected depth of the well was 6000 metres and it was likely to take about one year to be completed. The estimated expenditure on drilling in Puranpur would be about Rs 2.40 crores, the minister said. The strength of the technical and non-technical staff for drilling will be about 260.

ONGC Contract for Burmah Engineering

Oil and Natural Gas Commission (ONGC) has awarded Burmah Engineering Company (a member of the Burmah Oil Group) a contract to carry out a feasibility study for telecommunications, telemetry and data-handling systems in the commercial development of the Bombay off-shore oil fields. This major project includes the Bombay High structure. The British firm pointed out that it was ONGC's intention to use the most modern technology, and added that Burmah was proud to have been appointed as one of the consultants on this major project.

Fertiliser Production

The minister for Chemicals & Fertilisers, Mr P.C. Sethi, told the Lok Sabha recently that a large-scale programme was in hand for augmenting indigenous capacity for manufacturing fertilisers to narrow the gap between demand and indigenous supply to reduce dependence on imports. The minister stated that 16 large-sized fertiliser plants were under various stages of implementation and another four plants had been approved in principle. He said that with the completion of the projects under implementation and those approved in principle, the fertiliser capacity in the country was likely to increase to

6.5 million tonnes of nitrogen and 1.7 million tonnes of phosphatic as against 2.973 million tonnes of nitrogen and 0.692 million tonnes of phosphatic fertilisers at present. Mr Sethi observed that since the completion and commissioning of some of the fertiliser plants was likely to spill over to the sixth Plan period, the capacity build-up at the end of the fifth Plan period was likely to be 4.69 million tonnes of nitrogen and 1.311 million tonnes of phosphatic fertilisers.

Export of Essential Drugs

The minister for Chemicals & Fertilisers, Mr P.C. Sethi, told Lok Sabha that India also exported some of the vital drugs. The minister added that out of the total value of about Rs 43 crores of drugs and medicinal preparations, including medicinal castor oil, exported during 1974-75, the contribution of the public sector undertakings was about Rs 2.6 lakhs. Regarding imports of bulk drugs, Mr Sethi said that as against the indigenous production of bulk drugs worth Rs 80 to 85 crores in 1974, the total imports of essential bulk drugs during 1974-75 were of Rs 30.07 crores.

Indigenous Production

During 1974-75, STC imported bulk drugs worth Rs 19.55 crores. This had come down to Rs 14.05 crores during 1975-76. The minister said that all efforts were being made to step up indigenous production by increasing the output of existing products and also by taking up the manufacture of new items, to meet the increasing requirements of the country, in order to achieve self-

sufficiency as far as practicable.

Automobile Batteries

The Central Electrochemical Research Institute Karai-kudi, has developed a process for the manufacture of lead acid batteries from indigenous raw materials. The process has been standardised. These batteries find application in automobiles for starting, lighting and ignition. This is of immense importance in defence also. The essential raw materials required for the manufacture of lead acid batteries are lead, for welding and grids, antimony, lead oxides, barium sulphate, carbon black, separators and sulphuric acid. All these raw materials and main items of plant and machinery are available indigenously. The total capital outlay for putting up a plant for producing 3000 batteries per year has been estimated at Rs 212,000. The cost of the battery manufactured would be about Rs 133.

Haryana Tannery

Haryana Tanneries will shortly start functioning at Jind at a cost of Rs 1.20 crores. Haryana State Industrial Development Corporation has paid Rs 17.5 lakhs as equity capital. It will have a capacity to process 5000 skins per day. Already 80 skins have been purchased from a Delhi firm for trial. To start with, the product-mix will consist of only upper leather and lining. Later on it is planned to take up the production of leather garments, sports goods etc. The Central Leather Research Institute, Madras are the chief consultants of this tannery and major portion of the machinery is being imported from Czechoslovakia, West Germany and Bulgaria. Scudding machines have been pur-

chased from Madras. The main aim of this project will be to export finished products with a view to increasing foreign exchange. This is in consonance with the recent policy of the central government to discourage the export of raw and semi-raw finished leather products.

Industries in Public and Private Sectors

With the larger role assigned to the public sector, its share in the allocation of resources for industries has significantly increased. The allocation for industries in the public and private sectors is not based on a pre-determined ratio but is done in accordance with the priorities and targets envisaged in each plan, the programmes being determined within the framework of the Industrial Policy Resolution. The percentage distribution of the outlay provided for organised industries and mining in the public sector and the investment envisaged in the private sector was of Rs 327 crores during the first Plan. This included Rs 94 crores (28.7 per cent) in the public sector and Rs 233 crores (71.3 per cent) in the private sector.

Capital Investment

The public sector allocation in the second Plan was Rs 690 crores as against the envisaged investment of Rs 575 crores. The total investment for industries in the second Plan was Rs 1265 crores. During the third Plan, of the total Rs 2570 crores allocated for industries, Rs 1470 crores (57.2 per cent) was for the public sector and Rs 1100 crores (42.8 per cent) envisaged for the private sector. The fourth Plan outlay on public sector was Rs 3048 crores (57.5 per cent) of the total allocation for industries of Rs 5298 crores.

DEPARTMENT OF ATOMIC ENERGY

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay invites tenders as detailed below:

- 1) Tender No. DPS/NFC/ENG/302 due on 30-9-76. Cast/Machined Hollow Copper Pads, 218 mm OD x 100mm ID, as per tender specification—200 Nos.
 - 2) DPS/BARC/ENG/9155 due on 1-10-76 Fabrication and supply of Lead Bricks as per drg. and tender specn. with Purchaser's lead, 1750 Nos.
 - 3) DPS/HWP/PPF/517 due on 27-9-76. Supply of Carbon Steel Pipes conforming to ASTM-A-106 Gr. B as per purchaser's tender specification. DPS/PPED/ENG/1134 due on 30-9-76. Manufacture and supply of Stud Bolts, Hex. Head Bolts, Hex Nuts, Lock Washers, etc. conforming to ASTM specifications, in various sizes and large quantities, as per tender specifications.
 - 5) DPS/BARC/SPR/3685 due on 30-9-76. Supply and installation of Chilled water coils with flanged ends—12 Nos.
 - 6) DPS/PPED/ENG/1132 due on 14-10-76. Consumable Weld Inserts, Filler Wires and Coated Electrodes as per tender specification in large quantities.
 - 7) DPS/HWP/PPF/522 due on 24-9-76. Supply of ERW Carbon Steel Pipe conforming to A-53 GR B as per purchaser's tender specifications.
 - 8) DPS/TAPS/GEN/408 due on 27-9-76. Boiler suits yellow colour—36,000 Nos.
 - 9) DPS/NFC/GEN/144 due on 27-9-76. High density high purity alumina refractory bricks—1000 Nos.
 - 10) DPS/PPED/PPF/900 due on 23-9-76. Supply of Carbon Steel Gate Valves as per purchaser's tender specifications.
 - 11) DPS/NFC/CAP/385 due on 23-9-76. Small, fine wire drawing machine, wet slip type, continuous, wet drawing of non-ferrous metals like copper, aluminium etc., drawing speed less than 20 metres per sec., as per purchaser's specification—1 No.
 - 12) DPS/BARC/CAP/1928 due on 28-9-76. Centrifugal pump coupled with electric motor with starter, capacity: 300 igpm as per purchaser's specification—2 Nos.
 - 13) DPS/NAPP/PPED/FAB/17 due on 5-10-76. Manufacture, inspection, testing, export packing, and supply of R-Ni-Cr-C alloy material 'Latch Sleeve Front Piece' in the 'Investment Cast' and tested condition with sufficient allowance for finish grinding, as per purchaser's tender specification and drawing—Qty. 125 Nos.
 - 14) DPS/PPED/EEQ/217 due on 11-10-76. Supply of (a) AMP Transducers (b) Watt Transducers and (c) VAR Transducers, 2 Nos., 8 Nos., and 8 Nos respectively as per specification.
 - 15) DPS/TAPS/CAP/41 due on 13-10-76. G.B.I. Kinetic ram or equivalent pipe clearing equipment with accessories as per purchaser's specification and drawing—1 No.
 - 16) DPS/HWP/CAP/407 due on 14-10-76. Portable device for milling and lapping of gate valve discs, flanges of nominal sizes 50 mm to 200 mm along with milling and lapping discs, as per purchaser's specification—1 No.
 - 17) DPS/PPED/CAP/195 due on 21-9-76. Design, manufacture, assembly, testing and delivery at site properly packed of air handling unit, as per purchaser's tender document and drawing—1 No.
 - 18) DPS/HWP/CAP/432 due on 22-9-76. Design, manufacture, inspection at manufacturer's works, supply, delivery at site and performance test, properly packed of fuel unloading-cum-transfer pump, capacity 25M³ hr 2 Nos. and diesel oil unloading-cum transfer pump, capacity 5M³ hr. 2 Nos. with all accessories and auxiliaries for the Heavy Water Project, Kota, as per purchaser's tender document.
 - 19) DPS/NAPP/PPED/FAB/18 due on 27-9-76. Manufacture, inspection, testing, supply and delivery of Forged and rough machined Carbon Steel Rings and Bars as per purchaser's tender document. Qty. as per tender document.
 - 20) DPS/RRC/FAB/136 due on 30-9-76. Preparation of shop drawings, supply of material, manufacture, inspection, shop assembly, shop testing, guarantee, crating and delivery to Reactor Research Centre Site of following components as per purchaser's tender document and drawings.
 1. Fresh Fuel Handling Adaptors 2 Nos.
 2. Special Flask No. 4 1 No.
 3. Argon Filling Machine and its swivelling arrangements 1 No.
- Tender documents priced Rs. 5/- each for items at S.No. 1 & 2 Rs. 10/- each for items at S.No. 3 to 6 Rs. 15/- each for items at S.No. 7 to 9, Rs. 20/- for items at S.No. 10, Rs. 25/- each for items at S.No. 11 to 16, Rs. 50/- each for items at S.No. 17 to 19 and Rs. 100/- for items at S.No. 20 and General conditions of contracts priced Rs. 0.50 P each except for items at S.No. 13, 19 & 20 can be had from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd floor, Mohatta Building, Palton Road, Bombay-400001, between 10 a.m. to 1 p.m. on all working days except on Saturday, Tender forms and General conditions for items at S.No. 11, 12, 15, 16, 17 & 18 will however be issued only upto 17-9-76, 23-9-76, 8.10.76, 8.10.76 15.9.76 and 16.9.76 respectively. Import Licence will be provided except for items at S.No. 19 & 20, only if the items are not available indigenously. Tenders will be received upto 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons. dave 645 (184) 76

The draft fifth Plan allocation for industries is Rs 13,528 crores, out of which Rs 8328 crores (61.6 per cent) will be in the public sector.

Punjab Seed Corporation

The Punjab Seed Corporation which came into being only this year, has decided to produce 160,000 quintals of wheat seed during the next rabi season. As much as 130,000 quintals will be produced under the growers' programme and 30,000 quintals under the producers' programme. The areas selected for this purpose include the project areas of Ludhiana district, mainly parts of Ludhiana and Mangat blocks; project areas of Jullundur district comprising Jullundur east and west, Adampur and parts of Nawanshahar blocks; and the project areas of Faridkot district comprising parts of Kothapara and Muktsar blocks. The corporation has invited farmers to participate in this programme. Each such farmer will have to become a shareholder of the corporation. For doing so the growers who are enlisted as shareholders will be paid the procurement price of the wheat at the time of delivery at the processing plant. They will be paid Rs 135 per quintal after the seed has been processed and certified.

World Bank Meet

The annual general meeting of the World Bank and its affiliates will be held at Manila in the Philippines on October 4. Finance ministers of over a hundred countries are expected to attend the meeting. The annual meeting of the World Bank and its affiliates such as International

Development Association (IDA) and International Finance Corporation (IFC) will review the international currency problem and the trends in the world trade. The meeting taking place after the Nairobi conference of UNCTAD assumes significance for the developing countries.

Names in the News

The term of Mr K.G. Salvi as Managing Director, Hindustan Housing Factory Limited, has been further extended for another two years with effect from July 1, 1976 on the existing terms and conditions.

Mr I. C. Puri took over recently as Development Com-

missioner of Small Scale Industries and additional secretary in the ministry of Industry. This post had been vacant since the promotion of Mr N. J. Kamath as Secretary.

Mr Puri has made a special study of small manufacturing enterprises at Harvard University, USA.

Plan your progress under 20-POINT PROGRAMME PNB WILL HELP YOU Various schemes to suit your needs

On the Road

Loans:

- for transport operators with national and state permits
- to buy rickshaws (including motorised Cycle-rickshaws)
- to buy tongas, rehars, handcarts etc.

On the farm

Loans:

- for seeds, fertilisers and insecticides
- for minor irrigation
- for land development
- for farm mechanisation (tractors and implements)

- for ancillary agricultural activities (dairy, poultry, sheep and goat rearing, piggeries, etc.)

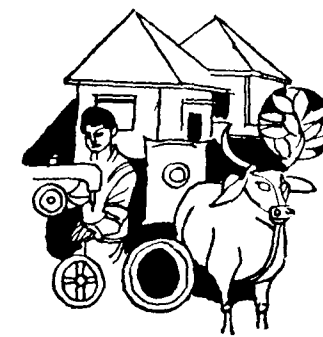
Towards employment and rehabilitation

Loans:

- to released bonded labourers and landless farmers for productive activities
- to weavers for purchase of looms and yarn
- to students for education and book banks
- to medical practitioners for setting up nursing homes in rural areas
- to artisans, craftsmen and cottage industries

- to housewives for supplementing family income
- to agriculture graduates for purchase of small holdings
- for retail trade
- for small business
- for construction of huts on home-stead land in rural areas
- for essential consumption requirements of farmers, both education and medical aid

All facilities are available on easy terms and concessional rates of interest



For details please contact our nearest branch.

punjab national bank

dave 76/286

The Bank of Rajasthan Limited

Regd. Office: Clock Tower, Udaipur. Central Office: Jaipur

Directors' Report

for the year ended 31st December, 1975

(To be submitted to the Shareholders at the Thirty-Third Annual General Meeting to be held at the Registered Office of the Company at Clock Tower, Udaipur on Tuesday, the 27th July, 1976 at 2.30 P.M.)

The Directors have pleasure in submitting to the Shareholders their Report, Balance Sheet and the Profit and Loss Account for the year ended 31st December, 1975.

Capital & Reserves

In 1975, by addition of Rs. 6.40 lakhs to Statutory Reserve and Rs. 1.21 lakh to General Reserve, the total Reserves (including the share premium at Rs. 0.05 lakh) amount to Rs. 48.75 lakhs. The total owned funds of the Bank, thus, aggregate Rs. 78.75 lakhs.

Deposits

During the year under review, the deposits of the Bank have risen from Rs. 38.21 crores to Rs. 46.03 crores, registering an increase of 20.4%.

Investments

The investment in Government and other Trustee Securities amounting to Rs. 13.73 crores form 97.5% of the total investments. Of these, 80.5% of the securities mature within a period of 15 years.

Advances

The total advances, including bills purchased and discounted stood at Rs. 27.23 crores as on 31st December, 1975 as against Rs. 25.38 crores a year ago. The credit-deposit ratio, at the end of the year was 59.15%. Special attention is being paid by the directors for increasing advances to priority and neglected sectors.

Branch Expansion

The Directors are glad to state that during the year under review, the Bank has opened a record number of 15 branches and an extension counter. Thus, the total number of offices of the Bank, has increased to 120. Of these sixteen offices, two were opened in Gujarat State, one in Tamil Nadu, one in Union Territory of Delhi and the remaining twelve offices in Rajasthan. Nearly three-fifth of the branches of the Bank are located in rural and semi-urban centres.

During the current year, four branches of the Bank, at Matsya Industrial Estate, Alwar (Alwar Distt.), Jalia (Ajmer Distt.), Anta (Kota Distt.) in Rajasthan, one at Bhopal in Madhya Pradesh and four extension counters at J. K. Nagar, Kota, Roadways Bus Stand, Ajmer, Bus Stand (Sindhi Camp), Jaipur and Mayo College, Ajmer, all in Rajasthan, have been opened.

		Number of Offices					
		1965	1967	1969	1971	1973	1975
Rural		5	6	13	19	32	35
Semi-Urban		31	31	32	35	39	45
Urban		16	17	18	22	25	30
Metropolitan		2	2	3	5	6	9
TOTAL		54	56	66	81	102	119

Profit & Its Appropriation

The net profit of the Bank for 1975 amount to Rs. 20,07,028.47 as against Rs. 19,98,331.26 of the last year. After adding hereto a sum of Rs. 1821.57, brought forward from the previous year, a sum of Rs. 20,08,850.04 is available for appropriations. The following appropriations, therefrom, have been made :

(i) To Reserve Fund under Section 17 of the Banking Regulation Act, 1949 ..	Rs.	6,40,000.00
(ii) To General Reserve	Rs.	1,21,000.00
(iii) To Provision for Income-tax	Rs.	2,75,000.00
TOTAL	Rs.	10,36,000.00

The Directors now recommend to declare a dividend at 12% per annum for 1975 (subject to tax and approval of the Reserve Bank of India) which will absorb a sum of Rs. 3,60,000/-, to earmark Rs. 6,00,000/- for contingencies and to carry forward the balance of Rs. 12,850.04.

Staff

The relations with the staff continue to be cordial. The Directors place on record their appreciation of the sustained efforts of the officers and the staff to render courteous services to the customers.

The statement of employees referred to in Sub-section (2A) of Section 217 of the Companies Act, 1956, is given in Appendix 'A' and forms part of this Report. None of the employees shown therein is a relative of any director of the Company.

Directors

Shri Birdhi Lal Sethi, having tendered his resignation, was relieved from the directorship of the Bank with effect from 21st June, 1975. The directors place on record their deep appreciation of the valuable services rendered by him during the tenure of his office as director.

In accordance with Article 119 of the Bank's Articles of Association, Shri Shiv Kumar Mansinghka, director retires from the Board of Directors by rotation and being eligible offers himself for re-election.

Auditors

Messrs. J. K. Singhal & Co., Chartered Accountants, present auditors of the Company, retire at the close of the ensuing General Meeting. They are not seeking re-appointment for the current year.

In this connection, attention of the members is invited to Item No. (A)4 of the Notice of the Annual General Meeting.

Acknowledgement

The Directors take this opportunity to express their grateful thanks to the constituents, patrons and members of the Bank for their continued co-operation and support.

By Order of the Board
J. M. AGARWAL
Chairman

Jaipur
18th June, 1976

APPENDIX 'A'

Statement showing the informations required to be furnished under Section 217(2—A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule, 1975 and forming part of the Directors' Report for the year ended 31st December, 1975.

S. No.	Name	Designation	Remuneration	Nature of Employment	Other terms & Conditions	Qualifications	Date of Commencement of Employment
(a) Employed throughout the financial year under review and were in receipt of remuneration for that financial year in the aggregate not less than Rs. 36,000/-							
1.	Shri J. M. Agarwal	Chairman & Chief Executive Officer	43,546.42	On deputation from the Reserve Bank of India	Wholetime employee	B.Com. 30 years in Banking	2.8.1974
2.	Shri J. S. Babel	General Manager	41,529.45	Permanent	Wholetime employee	B. Com. 29 years in Banking	18.4.1951
3.	Shri D. S. Kothari	District Manager Bombay Branch	37,545.46	Permanent	Wholetime employee	Inter, CAIIB 32 years in Banking	1.7.1948
4.	Shri G. L. Prabhu	Manager, Foreign Exchange Division, Bombay	37,943.20	Permanent	Wholetime employee	S.S.C. 33 years in Banking	31.3.1973
(b) Employed for a part of the year under review and were in receipt of remuneration for any part of that year at a rate which, in the aggregate was not less than Rs. 3,000/- p.m. :							
1.	Shri S. M. Jain	Joint General Manager	41,660.38	Contractual	Wholetime employee	Matric 36 years in Banking	17.2.1975

The Bank of Balance Sheet as at

APITAL AND LIABILITIES	1975	1974
1. CAPITAL		
Authorised Capital 40,000 Shares of Rs. 100 each	Rs. 40,00,000.00	Rs. 40,00,000.00
Issued Capital 30,000 Shares of Rs. 100 each	30,00,000.00	30,00,000.00
Subscribed Capital 30,000 Shares of Rs. 100 each	30,00,000.00	30,00,000.00
<i>Paid-up Capital :</i>		
30,000 Shares of Rs. 100 each, fully paid-up	30,00,000.00	30,00,000.00
2. RESERVE FUND AND OTHER RESERVES		
Reserve Fund under Section 17 of Banking Regulation Act, 1949	40,00,100.00	33,60,100.00
Other Reserves	8,70,000.00	7,49,000.00
Share Premium Account	4,550.00	4,550.00
3. DEPOSITS AND OTHER ACCOUNTS		
Fixed & Call Deposits		41,13,650.00
(a) Banks	61,55,000.00	3,05,000.00
(b) Others	24,25,63,737.84	21,52,25,685.36
Savings Bank Deposits	11,80,94,917.82	21,55,30,685.36
Current Accounts Contingency (Unadjusted)		9,14,14,966.04
(a) Banks	1,01,83,516.61	38,57,781.71
(b) Others	8,26,96,869.58	7,07,32,432.82
Staff Security Deposits	5,87,390.88	7,45,90,214.53
(Deposited with this Bank itself, being a Scheduled Bank)		5,41,240.78
4. BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS ETC.		38,20,77,106.71
(i) In India	1,25,82,149.03	
(ii) Outside India	Nil	72,32,157.23
<i>Particulars :</i>		Nil
(i) Secured (Government Securities)	92,55,149.03	
(ii) Unsecured	17,32,000.00	32,67,157.23
(iii) By way of Call Deposits from Banking Companies	15,95,000.00	Nil
5. BILLS PAYABLE		39,65,000.00
6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE AS PER CONTRA		72,32,157.23
(i) Payable in India	3,03,86,282.45	1,57,60,193.53
(ii) Payable outside India	85,13,759.83	3,01,46,220.94
7. OTHER LIABILITIES		38,86,409.01
(i) Unpaid Dividends	1,01,827.37	3,40,32,629.95
(ii) Provision for Income Tax & Interest Tax	52,24,656.07	66,902.16
(iii) Bonus to Staff	Nil	37,92,728.07
(iv) Staff Benefit Account	41,884.13	5,00,000.00
(v) Branch Adjustments	1,23,54,736.01	42,084.63
(vi) Sundry Creditors Account	58,39,028.04	1,19,59,678.30
(vii) Unexpired Discount	33,682.56	61,31,591.70
(viii) Provision for Staff Training	2,500.00	15,307.36
	2,35,98,314.18	2,500.00
Total carried over :	55,34,25,171.25	2,25,10,792.22
		46,87,26,529.64

Rajasthan Ltd. 31st December, 1975

PROPERTY AND ASSETS	1975	1974
1. CASH	Rs.	Rs.
In hand and with Reserve Bank of India and State Bank of India	2,28,11,615.92	3,35,72,925.89
2. BALANCES WITH OTHER BANKS ON CURRENT ACCOUNT		
(i) In India	2,12,65,431.56	1,01,24,793.82
(ii) Outside India	3,24,251.20	3,12,350.41
		1,04,37,144.23
3. MONEY AT CALL & SHORT NOTICE	3,68,50,000.00	14,00,000.00
4. INVESTMENTS (At or below market value)		
(i) Securities of the Central and State Govts. and other Trustee Securities (Face Value Rs. 14,35,24,705/-)	13,72,73,962.99	11,74,54,467.84
(ii) Treasury Bills of the Central and State Govt.	Nil	Nil
(iii) Fully paid preference shares	Nil	10,000.00
(iv) Fully paid equity shares	9,23,000.00	8,23,000.00
(v) Partly paid equity shares	5,57,450.00	2,00,000.00
(vi) Debentures or Bonds (Face Value Rs. 19,10,000/-)	18,98,335.00	13,23,697.50
(vii) Other Investments :		
(a) Initial Capital in the Unit Trust of India	50,000.00	50,000.00
(b) Units of the Unit Trust of India	50,000.00	50,000.00
(viii) Gold	Nil	Nil
	14,07,52,747.99	11,99,11,165.34
<i>Notes—</i>		
(i) Reserve Bank of India has a lien on securities of the face value of Rs. 3 lacs on account of guarantees given on behalf of constituents.		
(ii) State Bank of India has a lien on securities of the face value of Rs 2.5 lacs on account of Letter of Credit given on behalf of constituents.		
5. ADVANCES (Other than bad and doubtful debts for which provision has been made to the satisfaction of the auditors)		
(1) (Loans, Cash Credits, Overdrafts etc.)		
(i) In India	20,54,53,285.02	18,63,66,644.21
(ii) Outside India	Nil	Nil
(2) Bills discounted and purchased (excluding treasury bills of the Central & State Govts.)		
(i) Payable in India	5,47,47,571.21	4,93,39,355.53
(ii) Payable outside India	1,20,49,194.46	1,81,01,943.99
	6,67,96,765.67	27,22,50,050.69
	27,22,50,050.69	25,38,07,943.73
<i>Particulars of Advances :—</i> See separate statement annexed.		
6. BILLS RECEIVABLE BEING BILLS FOR COLLECTION AS PER CONTRA		
(i) Payable in India	3,03,86,282.45	3,01,46,220.94
(ii) Payable outside India	85,13,759.83	38,86,409.01
		3,40,32,629.95
7. CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS PER CONTRA		
	2,88,11,283.53	3,40,04,718.84
Total carried over :	56,19,65,423.17	48,71,66,527.98

The Bank of Balance Sheet as at

CAPITAL AND LIABILITIES	1975	1974
	Rs.	Rs.
Brought Forward..	55,34,25,171.25	46,87,26,529.64
8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS PER CONTRA	2,88,11,283.53	3,40,04,718.84
9. PROFIT & LOSS		
Balance of last year's Profit after Appropriations	13,74,821.57	12,89,882.41
Less—Dividend for 1974	3,60,000.00	3,90,000.00
Bonus for 1974	10,13,000.00	8,98,392.10
	1,821.57	12,88,392.10
		1,490.31
Add—Profit for the year brought from Profit & Loss Account	20,07,028.47	19,98,331.26
	20,08,850.04	19,99,821.57
Less—Appropriations :		
1. Reserve Fund under Sec. 17 of Banking Regulation Act, 1949	6,40,000.00	6,25,000.00
2. General Reserve	1,21,000.00	Nil
3. Provision for Income Tax	2,75,000.00	Nil
	10,36,000.00	9,72,850.04
		13,74,821.57
10. CONTINGENT LIABILITIES		
(i) Claims against the Banking Company not acknowledged as debts	1,83,193.38	77,127.38
(ii) Money for which the Banking Company is contingently liable—		
Guarantees given by the Banking Company on behalf of :		
(a) Directors or Officers	Nil	Nil
(b) Others	2,98,76,571.11	2,58,37,853.88
(iii) Arrears of Cumulative Preference Dividend	Nil	Nil
(iv) Liability on bills of exchange rediscounted	2,05,58,818.48	1,43,66,394.10
(v) In respect of partly paid shares	3,25,000.00	2,00,000.00
(vi) Outstanding forward exchange contracts	3,41,21,947.79	1,36,81,839.56
(vii) In respect of advances assigned under Participation Certificate Scheme	15,00,000.00	60,00,000.00
Notes :—		
1. Loans, Cash Credits and Overdrafts (considered good) Unsecured includes Rs. 24,33,650.54 due from M/s. Mahalaxmi Mills Co. Ltd., Beawar, which has been nationalised w.e.f. 1.4.1974 in respect of which necessary claims will be lodged on appointment with appropriate authority under the Sick Textile Undertakings (Nationalisation) Act, 1974. The amount is subject to final settlement with the appropriate authority.		
2. The Bank has set-up a separate Gratuity Fund and an application has been filed for its approval before the Commissioner of Income Tax which is pending. The provision to the full extent for future gratuity liability to staff has not been made. The provision for the year, based on actuarial valuation has been considered as allowable deduction together with the other allowable items in computing the provision for taxation.		
Grand Total :	58,32,09,304.82	50,41,06,070.05

As per separate report of even date annexed.

For M/s. J. K. SINGHAL & CO.
Chartered Accountants
M. C. BHANDARI, F.C.A.
Partner

31st December, 1975

PROPERTIES AND ASSETS

	1975	1974
	Rs.	Rs.
Brought Forward..	56,19,65,423.17	48,71,66,527.98
8. PREMISES LESS DEPRECIATION		
Total Cost as on 31-12-74	21,15,773.62	19,04,519.71
Additions during the year	3,61,971.65	2,11,253.91
	24,77,745.27	21,15,773.62
Less—Depreciation as per last Balance Sheet	2,82,593.50	2,38,374.78
Depreciation during the year	45,738.89	44,218.72
	3,28,332.39	2,82,593.50
		18,33,180.12
9. FURNITURE & FIXTURES LESS DEPRECIATION		
As per last Balance Sheet	54,41,798.82	43,53,857.92
Additions during the year	19,45,939.21	6,06,184.69
	64,87,738.03	54,60,042.61
	8,732.99	18,243.79
Less—Sale/Written off during the year	64,79,005.04	54,41,798.82
		23,34,148.87
Less—Depreciation as per last Balance Sheet	23,77,480.93	14,201.74
Less—Depreciation on sale/written off during the year	5,503.87	29,19,947.13
	23,71,977.06	3,57,533.80
Depreciation during the year	4,23,968.17	27,95,945.23
		36,83,659.81
		23,77,480.93
		39,64,317.89
10. OTHER ASSETS INCLUDING SILVER		
(i) Silver	Nil	Nil
(ii) Sundry Debtors	8,48,828.49	4,00,776.95
(iii) Stamps	34,323.95	36,699.30
(iv) Cash in Transit	3,53,572.00	15,70,493.00
(v) Prepaid Insurance	Nil	48,000.00
(vi) Stationery in Stock	11,94,386.84	11,59,611.98
(vii) Income accrued but not realised	59,44,809.25	39,18,129.93
(viii) Income Tax deducted at source and Income Tax paid in advance	68,54,985.93	45,89,424.97
(ix) Building Equipment	1,224.23	1,224.23
(x) Conveyance		
As per last Balance Sheet	5,18,418.37	5,29,975.02
Additions during the year	6,235.86	53,831.18
	5,24,654.23	5,83,806.20
Less—Sale/Written off during the year	Nil	65,387.83
	5,24,654.23	5,18,418.37
Less—Depreciation as per last Balance Sheet	3,00,734.77	2,85,560.84
Less—Depreciation on Sale/Written off during the year	Nil	39,231.82
	3,00,734.77	2,46,329.02
Add—Depreciation during the year	44,641.16	54,495.75
	3,45,375.93	1,54,11,498.96
		3,00,734.77
		2,17,683.60
		1,29,42,044.06
11. NON—BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS (Stating mode of valuation)		
	Nil	Nil
Grand Total	58,32,09,304.82	50,41,06,070.05

Jaipur
18th June, 1976

J. M. AGARWAL
Chairman &
Chief Executive Officer

S. K. MANSINGHKA
H. L. KOTHARI
CHUNILAL JAIPURIA
URMILA DEVI

Directors

J. S. BABEL
General Manager

The Bank of Profit & Loss Account for the year

EXPENDITURE	1975 Rs.	1974 Rs.
1. Interest paid on Deposits, Borrowings etc.	2,70,01,660.84	2,13,31,127.44
2. Salaries, Allowances and Provident Fund (Includes Rs. 32,963.59 being the Bonus paid for the previous year)	1,85,96,818.81	1,51,43,404.30
3. Directors' & Local Committee Members' Fees and Allowances	5,250.00	6,900.00
4. Rent, Taxes, Insurance, Lighting etc.	8,67,026.55	7,08,622.69
5. Law Charges	16,515.34	55,471.75
6. Postage Telegrams and Stamps	7,15,027.62	6,12,796.79
7. Auditors' Fees	38,725.00	33,500.00
8. Depreciation on and Repairs to the Banking Company's Property	6,13,583.35	5,35,189.00
9. Stationery, Printing, Advertisement, etc.	6,93,033.73	5,94,789.02
10. Loss from sale of or dealing with non-banking assets	Nil	Nil
11. Other expenditure	14,86,277.50	11,33,211.03
12. Balance of Profit	20,07,028.47	19,98,331.26
Total	5,20,37,947.21	4,20,63,343.28

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the annexed Balance Sheet of the Bank of Rajasthan Limited, Udaipur as at 31st December, 1975 and the annexed Profit and Loss Account of the Bank for the year ended on that date in which are incorporated the returns of 12 branches audited by us and 107 branches audited by other Chartered Accountants. In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions to Sub-sections (1) and (2) of Section 211 and Sub-section (5) of Section 211 and Section 227 of the Companies Act, 1956, the Balance Sheet and Profit & Loss Account are not required to be and are not drawn in accordance with the sixth schedule of the Companies Act, 1956. The accounts are, therefore, drawn up in conformity with forms A and B of the Third Schedule to the Banking Regulation Act, 1949. We report that :—

- (a) we have obtained all the informations and explanations which to the best of our knowledge and belief, were necessary for the purpose of audit and have found them to be satisfactory;
- (b) the transactions of the Bank which have come to our notice, have been within the powers of the Bank;
- (c) in our opinion, proper books of account as required by law, have been kept by the Bank so far as appears from our examination of those books;
- (d) the Bank's Balance Sheet and Profit & Loss Account dealt with by this report, are in agreement with books of account and the returns;
- (e) the reports on the accounts of the branches audited by Branch Auditors have been forwarded to us and the same have been considered by us in preparing our report;
- (f) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, in the manner so required for Banking Companies and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Bank as at 31st December, 1975 and Profit & Loss Account gives a true and fair view of the profit for the year ended upon that date.

Jaipur
18th June, 1976

For M/s. J. K. SINGHAL & CO.
Chartered Accountants
M. C. BHANDARI, F.C.A.
Partner

Rajasthan Ltd. ended 31st December, 1975

INCOME (Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	1975 Rs.	1974 Rs.
1. Interest and Discount	4,44,27,115.44	3,49,06,269.75
2. Commission, Exchange & Brokerage	67,32,481.81	63,04,417.43
3. Rents	2,700.60	1,855.20
4. Net Profit on sale of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular fund or account)	Nil	Nil
5. Net Profit on revaluation of investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular fund or account)	Nil	Nil
6. Income from Non-Banking Assets and Profit from sale of or dealing with such assets	Nil	Nil
7. Other Receipts	8,75,649.36	8,50,800.90
	5,20,37,947.21	4,20,63,343.28

Notes : —1. Previous year's figures have been re-cast wherever necessary to render those computable.
2. Interest paid includes Rs. 4,55,426.77 charged by Reserve Bank of India this year in respect of earlier years.
3. Particulars of remuneration relating to the Chief Executive Officer :

i) Salaries	21,420.00
(ii) Allowances	12,813.70
(iii) Sitting fee	Nil
(iv) Bonus	Nil
(v) Employers' contribution to provident fund, pension fund or any other superannuation fund and gratuity	2,142.00
(vi) Monetary value of any other benefits or perquisites	7,170.72
(vii) Total of items (i) to (vi)	43,546.42
(viii) Salary & Allowances of the Chief Executive Officer as stated in the Profit & Loss Account of the previous year	64,981.37

Jaipur
18th June, 1976

J. M. AGARWAL
Chairman
&
Chief Executive Officer

S. K. MANSINGHKA
H. L. KOTHARI
CHUNILAL JAIPURIA
URMILA DEVI } Directors

J. S. BABEL
General Manager

The Bank of Rajasthan Ltd.

Schedule of Advances

Required by the Banking Regulation Act, 1949 attached to and forming part of the Balance Sheet as at 31st December, 1975

PARTICULARS OF ADVANCES	1975 Rs.			1974 Rs.		
	Bills Discounted & Purchased	Loans, Advances, Cash Credit & Overdrafts	TOTAL	Bills Discounted & Purchased	Loans, Advances, Cash Credit & Overdrafts	TOTAL
(i) Debts considered good in respect of which the Banking Company is fully secured	4,32,93,510.02	16,35,84,543.87	20,68,78,053.89	4,62,30,417.18	17,12,63,506.19	21,74,93,923.37
(ii) Debts considered good for which the Banking Company holds no other security than the debtors' personal security	1,21,03,113.49	1,15,03,823.89	2,36,03,942.38	14,07,334.98	1,25,48,859.92	1,39,56,194.90
(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors:						
(a) Debts guaranteed by the Government of Maharashtra and Rajasthan	Nil	19,27,766.25	19,27,766.25	Nil	12,33,313.35	12,33,313.35
(b) Others	1,14,03,142.16	2,84,32,146.01	3,98,35,288.17	1,98,03,547.36	13,20,964.75	2,11,24,512.11
(iv) Debts considered doubtful or bad, not provided for	Nil	Nil	Nil	Nil	Nil	Nil
	6,67,96,765.67	20,54,53,285.02	27,22,50,050.69	6,74,41,299.52	18,63,66,644.21	25,38,07,943.73
(v) Debts due by Directors or Officers of the Banking Company or any of them either severally or jointly with any other persons	Nil	20,86,280.28	20,86,280.28	Nil	14,68,460.73	14,68,460.73
(vi) Debts due by Companies or Firms in which the Directors of the Banking Company are interested as Directors, Partners or Managing Agents or in case of Private Companies as Members	12,75,667.65	14,87,194.07	27,62,861.72	24,52,588.84	3,02,538.80	27,55,127.64
(vii) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Managers or Officers of the Banking Company or any of them either severally or jointly with any other persons	Nil	20,86,280.28	20,86,280.28	Nil	15,73,050.03	15,73,050.03
(viii) Maximum total amount of advances including temporary advances granted during the year to the Companies or Firms in which the Directors of the Banking Company are interested as Directors, Partners, Managing Agents or in case of Private Companies, as Members	12,52,900.00	38,22,585.16	50,75,494.16	56,74,556.54	2,84,998.18	59,59,554.72
(ix) Due from Banking Companies	Nil	Nil	Nil	1,52,030.26	2,43,172.31	3,95,202.57

COMPANY AFFAIRS

United Asian Bank Berhad

UNITED ASIAN Bank Berhad has reported impressive improvements in its working results during the year ended December 31, 1975. The current fixed savings and other deposits of customers shot up to M\$ 316.84 million, recording an increase of as much as M\$ 90.63 million over 1974 while deposits and balances of banks and agents nearly trebled to M\$ 38.56 million from M\$ 13.08 million in the preceding year. The cash and balances with banks and agents too rose spectacularly to M\$ 41.62 million from M\$ 34.52 million in 1974 while investments in Malaysian government securities were also substantially higher at M\$ 49.82 million as against M\$ 37.19 million in the earlier year. The amount advanced to customers too recorded a marked rise by M\$ 71.94 million to M\$ 170.14 million while the amount under "Bills Receivables" accounts spurted to M\$ 87.19 million from M\$ 75.66 million in 1974.

Profits Doubled

The net profit of the bank, after providing for diminution in value of assets, contingencies and after making allocations to inner reserves, more than doubled to M\$ 7.040 million, registering a handsome rise of M\$ 3.760 million over 1974. Out of the profit, a sum of M\$ 3.600 million was earmarked for taxation as against M\$ 1.701 million in the preceding year.

After adding the balance brought forward from the previous year, the disposable surplus amounted to M\$ 2.054 million a year ago. Out of this, a sum of M\$ 3.000 million was transferred to general reserve. The proposed first and final dividend of six per cent (less 40 per cent income tax) absorbs M\$ 0.360 million. The balance of M\$ 0.751 million has been carried forward.

Bank of Rajasthan

Bank of Rajasthan Ltd has reported commendable progress during the year ended December 31, 1975, with deposits, advance and profit outstripping the previous year's encouraging performance by considerable margins. Deposits during the year jumped to Rs 46.03 crores, registering an increase of as much as Rs 7.82 crores or 20.4 per cent over 1974. Advances, including bills purchased and discounted too recorded a smart rise to Rs 27.30 crores from Rs 25.38 crores in the previous year. The credit-deposit ratio at the end of the year was 59.15 per cent. Special attention was paid for deploying the bank's resources to priority and neglected sectors. The investments of the bank in government and other trustee securities amounted to Rs 13.73 crores and formed 97.5 per cent of the total investments. Of these 80.5 per cent of the securities mature within a period of 15 years.

During the year the bank

opened a record number of 15 branches and an extension counter thereby carrying the total number of offices of the bank to 129. Of these 16 offices two were opened in Gujarat state, one in Tamil Nadu, one in the union territory of Delhi and the remaining 12 offices in Rajasthan. Nearly three-fifth of the branches of the bank are located in rural and semi-urban areas.

Branch Expansion

During the current year, four branches of the bank, at Matsya Industrial Estate, Alwar (Alwar district), Jalia (Ajmer district), Anta (Kota district) in Rajasthan, one at Bhopal in Madhya Pradesh and four extension counters at J.K. Nagar, Kota Roadways Bus Stand, Ajmer Bus Stand (Sindhi Camp), Jaipur and Mayo College, Ajmer, all in Rajasthan have been opened.

The net profit of the bank during the year was higher at Rs 20.07 lakhs as against Rs 19.98 lakhs in 1974. After adding the sum brought forward from the previous year the total amount available for appropriations came to Rs 29.09 lakhs. Out of this, a sum of Rs 6.40 lakhs was transferred to reserve fund, Rs 1.21 lakhs to general reserve, Rs 6 lakhs for contingencies and Rs 2.75 lakhs for taxation. The directors have recommended a dividend of 12 per cent. This will absorb Rs 3.60 lakhs. The balance of Rs 12,850 has been carried forward.

Bally Jute

Although sales of Bally Jute Co. Ltd have gone up significantly to Rs 16.12 crores during the year ended March 31, 1976 from Rs 12.70 crores, the profit earned during the year has declined steeply to Rs 29.06 lakhs from Rs 117.04 lakhs in 1974-75. After adding Rs 23.49

lakhs being the income-tax refund from an earlier year, the total disposable surplus amounted to Rs 52.55 lakhs. Out of this, a sum of Rs 28.88 lakhs was appropriated to the depreciation reserve while the balance of Rs 23.67 lakhs was transferred to general reserve. The directors have recommended a dividend of Rs 1.00 per equity share which will claim Rs 7.17 lakhs. Besides the directors have proposed payment on 30,000 cumulative preference shares at the rate of 10 per cent per annum for the three years ended March 31, 1976. This will absorb Rs 9 lakhs. These amounts will be paid out of the year's profit which has been transferred to general reserve.

Incidentally it may be pointed out, last year, although the directors have initially recommended payment of preference dividend at 10 per cent for two years up to March 31, 1975 and equity dividend at eight per cent for the last year, the amounts have been skipped in view of the limitations imposed by the Companies (Temporary Restrictions on Dividends) Act 1974, which was then in force.

Capital Expenditure

The company has incurred capital expenditure to the tune of Rs 22.26 lakhs during the year under review which has been spent mainly on renovation of machinery and equipment.

In place of development rebate reserve the government has introduced a scheme of investment allowance in respect of new plant and machinery installed in some specified industries after March 31, 1976. Since the jute industry is eligible for this allowance, the company is formulating plans

for modernisation and renovation of its jute mills.

Fibreglass Pilkington

Fibreglass Pilkington has earned during the year ended March 31, 1976 a higher gross profit of Rs 1.83 crores as compared to Rs 1.48 crores in 1974-75. Out of the gross profit, a sum of Rs 36.22 lakhs was appropriated to depreciation reserve while taxation absorbed Rs 65.00 lakhs. A sum of Rs 2.27 lakhs was provided for repairs while Rs 58,000 was set aside for meeting doubtful debts. The net profit, after these allocations amounted to Rs 45.84 lakhs and the entire surplus was transferred to general reserve. The directors have recommended an equity dividend of 15 per cent. This will absorb Rs 24.00 lakhs and will be paid out of the general reserve.

Larsen & Toubro

The working of Larsen & Toubro for the first four months of the current year (April to July 1976) shows satisfactory improvement over that for the corresponding period of the previous year. Order booking, production and order backlog figures have all registered significant increases over those achieved in the previous year.

Sales at Rs 18.56 crores were slightly less than in the previous year's figure mainly because of an unusual heavy billing against one single job in the previous year and delays in despatches of bulky machinery on the railway during the current monsoon period. This shortfall is expected to be made up in a month or two. Barring unforeseen circumstances, the company expects the current year to end with a significant improvement in sales and profit.

The directors have proposed

6 per cent State Government Loans, 1986

State	Amount of Loan (In crores of Rupees)	State	Amount of Loan (In crores of Rupees)
*1. Andhra Pradesh	11.25	9. Punjab	4.75
2. Haryana	7.25	*10. Tamil Nadu	11.50
3. Himachal Pradesh	1.50	11. Tripura	1.50
4. Jammu & Kashmir	2.25	*12. Uttar Pradesh	26.25
*5. Maharashtra	11.75		
6. Meghalaya	1.25		
7. Manipur	1.50	* SECOND ISSUE	82.75
8. Nagaland	2.00		

All the above loans will be issued at Rs. 99.00 per cent and will open for subscriptions on Wednesday, 15th September 1976 and close on Saturday, 18th September 1976 or earlier without notice as soon as subscriptions approximate to the amount of each issue. All the State Governments reserve their right to retain subscriptions upto ten per cent in excess of the notified amounts.

The loans will be redeemable at par on 24th August 1986. Interest on the above loans for the period 15th September 1976 to 23rd February 1977 inclusive will be paid on 24th February 1977 and thereafter payment of interest will be made half-yearly on 24th August and 24th February each year. Interest in respect of all loans will be liable to tax under Income-tax Act 1961. Interest on Government securities along with income in the form of interest or dividends on other approved investments will be exempt from Income-tax subject to a limit of Rs. 3,000/- per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961.

The value of investments in the Loans now issued together with the value of other previous investments in Government securities and the other investments specified in Section 5 of the Wealth Tax Act, 1957 will also be exempt from the Wealth Tax upto Rs 1,50,000/-.

Subscriptions may be in the form of CASH/CHEQUE.

Applications for all the loans will be received at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna and the State Bank of Bikaner and Jaipur at Jaipur.

Applications will also be received at other places within the respective States as follows:

- Branches of the Subsidiary Banks of the State Bank of India conducting Government treasury work except at Hyderabad;
- Branches of the State Bank of India at places where there is no branch of its Subsidiary Banks conducting Government treasury work; and
- In the case of Jammu & Kashmir loan, applications will be received at branches of the Jammu & Kashmir Bank within the State of Jammu & Kashmir and branches of the State Bank of India where there is no branch of Jammu & Kashmir Bank.

Applications for Haryana and Punjab State Government Loans will also be received at State Bank of India, Chandigarh.

Securities will be issued in the form of Promissory Notes or Stock Certificates. The advantages of investing in the form of Stock Certificates are as under:—

- It is safer than a Government Promissory Note as the name of the holder is registered in the books of the Public Debt Office.
- The Stock Certificate will be sent to the applicant direct by registered post by the Public Debt Office.
- The half yearly interest will be remitted to the holder direct by an interest warrant drawn at par on any Treasury or State Bank branch stipulated by the holder. If the holder so desires, the interest will be remitted by Money Order after deducting the Commission charges.
- If the holder wishes to sell his securities he can do so by signing the transfer form printed on the back of the Certificates in the manner prescribed therein.
- Government Promissory Notes in exchange for the Stock Certificate can be obtained by applying to the Public Debt Office and on payment of a nominal fee for each new note required.

Copies of the Notifications and Application Forms may be obtained from any of the Receiving Offices mentioned above.

In the event of over-subscription to the loan applied for, applicants tendering applications at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna will be given the option of transferring their cash refunds to any other State Government loan which may still be open for subscription. To avail themselves of this facility, applicants should complete the "Special Option Form", copies of which can be obtained at any of the offices of the Reserve Bank of India mentioned above and tender the form along with their applications.

a bonus issue in the proportion of 1:2, subject to the consent of the Controller of Capital Issues. The bonus shares will rank *pari passu* with the existing equity shares and will be entitled to full equity dividend for the financial year 1976-77. The company had last issued bonus shares in 1973 in the ratio of eight bonus shares for every 25 equity shares.

It may be recalled that the company had made a rights issue in June 1975 in the proportion of one equity share for every four equity shares held, to raise funds to finance its Hydraulic Excavator Project at Bangalore under licence from Poclain S.A., France. By now the excavators are in use at projects all over the country and have been well received by customers. The dividend of 18 per cent for 1975-76 is thus being paid on the enlarged equity capital of Rs 7.45 crores.

News and Notes

Bank of Baroda has financed the lift-irrigation project at Andori village in Satara district of Maharashtra, which is expected to solve the water problem for the land of about 34 farmer families belonging to scheduled caste community there. The scheme costing Rs 1.87 lakhs will bring under irrigation about 43 hectares of land. The bank has provided the entire project cost without any margin and at concessional rate of interest.

Indian TV sets will soon be exported to Nigeria, earning about Rs 1.5 crores in the next two years. An agreement has been signed between Electronic Corporation of India Ltd and Electronics Trade and Technology Development Corporation Ltd; both public sector undertakings, and a Nigerian firm for the export of a sizable

quantity of ECIL-made TV sets.

New Issues

Stormac India Ltd is offering 245,000 equity shares of Rs 10 each for cash at par to public for subscription. The subscription list for this fully underwritten issue opened on August 31 and will close on September 9 or earlier but not before September 1, 1976. The company has an authorised capital of Rs 50 lakhs and an issued subscribed and paid-up capital of Rs 2.75 lakhs. The present issue is for Rs 44.50 lakhs out of which equity shares worth Rs 20 lakhs have been reserved for cash at par to the foreign collaborators Messrs Stork Brabant B.V. Holland. The remaining equity capital of Rs 24.50 lakhs is now offered to the public for subscription.

The company has been promoted by A.T.E. Private Ltd, (ATE), Bombay and Stork Brabant B.V. Holland (STORK).

Stormac India is setting up a plant at Vatva near Ahmedabad, for the manufacture of rotary screen printing machines. Commercial production is expected to commence by July 1977. Considering the ready market potential for the company's products and growth, the directors feel that barring unforeseen circumstances the company will make sufficient profits so as to pay a satisfactory dividend within a reasonable period.

New Registrations

During the quarter ended June 30, 1976, company formation showed upward trend, as 172 companies were registered in the eastern region as against 131 companies during the previous quarter. The total authorised capital of these new companies amounts to Rs 9,155.50 lakhs as against Rs 1,603.55 lakhs during the

previous quarter. Out of Rs 9,155.50 lakhs a sum of Rs 25.00 lakhs represented authorised capital of one government managed company, registered during the quarter. Only one company transferred its registered office from Rajasthan to West Bengal during the quarter under review. Fourteen companies with an aggregate paid up capital of Rs 26.44 lakhs went into liquidation. Names of seven companies with an aggregate paid up capital of Rs 2.01 lakhs were struck off.

In all 136 companies (119 private limited, 16 public and 1 government companies) with an aggregate authorised capital of 994.30 lakhs (502.30 lakhs, 467.00 lakhs and 25.00 lakhs respectively) were registered in the state of West Bengal during the quarter.

Eleven companies with a paid up capital of Rs 18.00 lakhs went into liquidation.

Two public limited and nine private limited companies with

an aggregate authorised capital of Rs 111.00 lakhs (Rs 54 lakhs and Rs 57 lakhs respectively) were registered during the quarter in the state of Bihar. One company with a paid up capital of Rs 19 lakhs went into liquidation. None of the companies were struck off.

Three public limited companies and eight private limited companies with an aggregate authorised capital of Rs 261.00 lakhs (Rs 153.00 lakhs and Rs 108 lakhs respectively) were registered during the quarter in the state of Orissa. Two companies with a paid up capital of Rs 8.25 lakhs went into liquidation. None of the companies were struck off.

In all 14 companies, comprising of 11 private limited companies and three public limited companies with an aggregate authorised capital of Rs 7789.20 lakhs (Rs 7559.20 lakhs and Rs 230.00 lakhs respectively) were registered during the quarter in the state of Assam.

No company went into liquidation during this period.

Dividend

Name of the company	Year ended	(Per cent)	
		Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Orissa Cement	Dec. 31, '75	20.0	10.0
Central India Machinery	March 31, '76	8.0	Nil
Same Dividend			
Southern Industrial Corpn.	March 31, '76	10.0	10.0
Morarjee Goculdas Spg. & Wvg. Mills	June 31, '76	20.0	20.0
Nuddea Mills	Dec. 31, '75	Nil	Nil
Gourepore Company	Dec. 31, '75	Nil	Nil
Ashoka Mills	Dec. 31, '75	15.0	15.0
Bengal Paper Mills	Dec. 31, '75	Nil	Nil
British India Corpn.	Dec. 31, '75	Nil	Nil
Swadeshi Politec	Sept. 30, '75	Nil	Nil
Reduced Dividend			
Solid Containers	March 31, '76	8.0	10.0
Bajaj Electricals	March 31, '76	N.I	10.0
Gaekawar Mills	Dec. 31, '75	5.0	12.0

Licences and Letters of Intent

THE FOLLOWING licences and letters of intent were issued under the Industrial (Development and Regulation) Act 1951 during the month of May 1976. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertakings (NU), New Articles (NA), Substantial Expansion (SE), Carry on Business (COB), Shifting—and annual installed capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Siliguri Steels Ltd; 23-A, Netaji Subhas Rd; 7th Floor, Room No. 1, Calcutta-1. (Siliguri—West Bengal)—Bars & Rods including twisted Bars, Light & Medium Structural—7,500 tonnes—(COB)

M/s Aggarwal Steel Industries, Kasara Street, Darukhana, Bombay. (Andheri, Bombay, Maharashtra)—Bright Bars—2,300 tonnes—(COB)

M/s Amar Containers Pvt. Ltd; Near Sardar Bhavan, Modi Khana, Baroda. (Panchmahal, Gujarat)—OTS Cans—7,000 tonnes, Battery Jackets—500 tonnes—(NU)

M/s Multimetals Ltd; Heavy Industries Area, Kansua Road, Kota. (Kota—Rajasthan)—Copper & Copper Alloys Pipes and Tubes—2,400 tonnes—(SE)

Fuels

M/s Govind Roy Oxygen Ltd; P.O. Box No. 23, Margao, Goa. (Margao, Goa, Daman & Diu)—Oxygen Gas—0.90 MCM Dissolved Acetylene Gas—0.20 MCM, Nitrogen Gas—0.72 MCM—(NU)

Electrical Equipments

Mrs Malti Saha; C/o M/s Badri Narayan Saha, Sulaki Road, Giridh. (Giridh—Bihar)—Silvered Mica Capacitors Plates—32 mill. nos. Silvered Mica Capacitors—3 mill. nos. Plastic Film Capacitors—0.5 mill. nos.—(COB)

M/s Kalyan Industrial Corporation; 56, Netaji Subhas Road, Calcutta-1. (Katihar—Bihar)—AAC/ACSR Conductors above 19 Strands—1500 M.T.—(COB)

M/s Technind Cables; F-5, Industrial Estate, Mandyal, Andhra Pradesh. (Kurnool—Andhra Pradesh)—AAC/ACSR Conductors above 19 Strands—2,000 tonnes p.a.—(COB)

M/s Kerala State Electronics Development Corporation Limited, Keltron House, Vellayambalam, Trivandrum. (Trivandrum—Kerala)—Variable Speed Drives—2,000 tonnes p.a.—(NU)

M/s Siemens India Ltd; 134, Dr Annie Besant Rd; Worli, Bombay. (Bombay—Maharashtra)—A.C. Synchronous Machines 150 KVA to 2500 KVA—50 nos. D.C. Machines (Upto 200 HP)—1,200 nos.—(NA)

M/s Kerala State Electronics Development Corporation Limited, Keltron House, Vellayambalam, Trivandrum (Trivandrum—Kerala)—(a) X-Y Plotter/Recorder—100 nos. (b) Digital Incremental Plotter—100 nos.—(NA)

M/s Jyoti Limited, Industrial Area, Baroda. (Baroda—

Gujarat)—Secondary Relays for protection against over-current, short circuit, etc—5,000 nos. Relays, Control Devices and indication devices, such as over voltage relays, time relays differential relays, signal relays special purpose relays, synchroscope, etc—7,500 nos.—(SE)

Transportation

M/s Geekay Automotive Products Ltd; N.K.M. International House, 178, Backbay Reclamation, Bombay. (Kolaba—Maharashtra)—Clutch Plates—1,00,000 nos. p.a. Complete Clutch Assembly—50,000 nos. p.a.—(NU)

M/s Injecto Private Ltd; 20/5, Mathura Road, Faridabad, (Gurgaon, Haryana)—Fuel Injection Pipes and Oil Pipes—2,00,000 metres—(NA)

Industrial Machinery

M/s Prakash Tubes Limited, 2-Industrial Area, Kirti Nagar, New Delhi. (Rohtak—Haryana)—High Frequency Tube Welders (Range 100 KW—300 KW)—4 nos.—(NA)

M/s Anup Engineering Ltd; The Anil Starch's Premises, Anil Road, P.B.No. 1164, Ahmedabad. (Ahmedabad—Gujarat)—Soda Ash Plants Equipments and Components—Rs 1 crores—(NA)

M/s B.R. Engineering Industries (India) Ltd; S-478, Greater Kailash-I, New Delhi. (Gurgaon—Haryana)—Pulp & Paper making Plant—upto 200 M.T.p.d. capacity One Unit per annum valued at Rs 15 crores. Paper Converting Machinery—Plants upto 50 MT per day of coated papers 500 MT per annum approx. valued at Rs 2.5 crores—(NU)

M/s Tripura Jute Mills Ltd; Palace Compound (North), Agartala, Tripura. (Tripura West—Tripura)—Sacking Pack Sheets and Hessian—200 looms for the production of 13,872 tonnes—(NU)

M/s Sahyadri Udyog, D-2/65, MIDC, Pimpri Industrial Area, Chinchwad, Poona. (Poona—Maharashtra)—Industrial Furnaces—45 nos.—(SE)

Commercial, Office & Household Equipment

M/s Hindustan Teleprinters Ltd; G.S.T. Road, Guindy, Madras. (Madras—Tamil Nadu)—Electric Typewriter—4,000 nos.—(SE)

Industrial Instruments

M/s Metres & Instruments Pvt. Ltd; 4/20, Connaught Circus, New Delhi. (Chandigarh)—Fuzes; Time Mechanism; Delayed Arming Shutter; Silco Conductor—(NA)

M/s Akay Industries; Station Road, P.B. No. 66, Hubli. (Hubli—Karnataka)—Gate Valves upto 24" size—5,000 nos. Globe Valves (Manually operated) upto 24" size—5,000 nos.—(NU)

Fertilizers

M/s Kothari (Madras) Ltd; Kothari Buildings, 20-Nungambakkam High Road, Madras. (Madras—Tamil Nadu)—Fertilizer Grade Ammonium Chloride—21,000 tonnes—(NA)

Chemicals (Other than Fertilizers)

M/s Dharamsi Morarji Chemical Company Ltd; Prospect Chambers, 317/21, Dr Dadabhoy Naoroji Road, Fort, Bombay.

(Colaba—Maharashtra)—Sodium Aluminate—8,000 tonnes Hydrate of Alumina—4,500 tonnes (NA)

M/s Bharat Pulverising Mills (P) Ltd; Hexamer House, Sayani Road, Bombay. (Thana—Maharashtra)—Phenthoate Technical—600 tonnes—(NU)

M/s Colour Chem Ltd; Ravindra Annexe, Dinshaw Vacha Road, 194, Churchgate Reclamation, Bombay. (Thana—Maharashtra)—Butyl Acrylate—1500 tonnes. Other Acrylates—500 tonnes—(NA)

M/s Gujarat State Fertilizers Co. Ltd; P.O. Fertilizer Nagar, Baroda. (Baroda—Gujarat)—A.B.S. Resins—4,000 tonnes. S.A.N.—500 tonnes—(NA)

M/s Punjab United Pesticides and Chemicals Ltd; Sector 54, 55, 56, Sector-17-A, Chandigarh. (Patiala—Punjab)—Malathion Technical—1000 tonnes—(NU)

M/s The Industrial Gases Ltd; 15-Ganesh Chandra Avenue, Post Box No. 853, Calcutta-1. (Lucknow—Uttar Pradesh)—Oxygen Gas—3.60 MCM, Nitrogen Gas—1.8 MCM, Argon Gas—0.125 MCM—(SE/NA)

M/s Sudarshan Chemical Industries (P) Ltd; Sangam Bridge, 162, Wellesley Road, Poona. (Kolaba—Maharashtra)—Pearl Essences—120 tonnes (NA)

Dyestuffs

M/s Amar Dye-Chem Ltd; Rang Udyan, Sitladevi Temple Road, Mahim, Bombay. (Vapi-Bulsar, Gujarat)—Disperse Dyes—200 tonnes—(NA)

M/s Wellman (India) Ltd; 'Neville House', Currimbhoy Road, Ballard Estate, Bombay. (Thana—Maharashtra)—H. Acid—300 tonnes, Peri & Laurent's Acid—50 tonnes, I : 6 and I : 7 Cleve Acid—50 tonnes, N. Phenyl Peri Acid—50 tonnes, Tobias Acid—25 tonnes, Sulfo Tobias Acid—25 tonnes, J. Acid—150 tonnes, Sulfo J. Acid—25 tonnes N-Phenyl J. Acid—25 tonnes, Sulfanilic Acid—150 tonnes—(NA)

Drugs & Pharmaceuticals

M/s Uni-Sankyo Ltd; Plot 37, Road No. 10, Banjara Hills, Hyderabad. (Hyderabad—Andhra Pradesh)—Human Chorionic Gonadotropin—6,000 million units (NA)

M/s Alembic Chemical Works Co. Ltd; Alembic Road, Baroda. (Baroda—Gujarat)—in lakhs Diural Tab—200 nos. Diural Inj. (2 ml. Amps)—50 nos. Altrip Tab—300 nos. Algesin-o-Tab—500 nos. Alcamide Tab—300 nos.—(NA)

M/s Bengal Chemical & Pharmaceutical Works Ltd; 164, Maniktala Main Road, Calcutta. (Kanpur—Uttar Pradesh)—Ampicillin Capsules—20 lakh numbers (NA)

M/s Abbott Laboratories (India) Pvt. Ltd; 133, Mahatma Gandhi Marg, Bombay-1. (Bangalore—Karnataka)—Gibberallic Acid—365 Kgs. Erythromycin—4,000 Kgs. Thippentone Sodium—1000 Kgs.—(NU)

M/s Fxeel Industries; 184-87, Swami Vivekananda Road, Jogeshwari, Bombay. (Bhavnagar—Gujarat)—Endosalfan Technical—1,200 tonnes p.a.—(NU)

M/s Alembic Chemicals Works Co. Ltd; Alembic Road, Baroda. (Baroda—Gujarat)—Respindex Expectorant based on

Pipazathoate Hydrochloride—2,50,000 liters (within the overall formulation capacity)—(NA)

M/s Eence Electro Process Ltd; 170, A-2, 10th Main Road, Rajmahal Vilas Extension, Bangalore. (Cannanore—Kerala)—Silicon Metal of 98% Purity—1,000 tonnes Calcium Carbide (EUETECTIC Grade)—for captive use—2,000 tonnes—(NU)

M/s Alembic Chemical Works Co. Ltd; Alembic Road, Baroda. (Baroda—Gujarat)—Calcium Sennasoid—20 tonnes—(NA)

M/s The Fairdeal Corpn. (P) Ltd; Lakshmi Building, Sir P.M. Road, Fort, Bombay. (Bombay—Maharashtra)—Nirven Tablets based on Nitrazepam—30 mill. tablets—(NA)

M/s Indian Drugs & Pharmaceuticals Ltd; N-12, South Extension, Part-1, New Delhi. (Hyderabad—Andhra Pradesh) Prenylamine Lactate Formulation—30 mill. tablets—(NA)

Textiles

M/s The Becharadas Spinning & Weaving Mills Co. Ltd; Raikhad, Ahmedabad. (Ahmedabad—Gujarat)—Cotton Yarn—30,396 spindles—(SE)

M/s Modi Spg. & Wvg. Mills Co. Ltd; Modinagar (UP) (Rae Bareilly—UP)—Tufted Carpets/yarn—2.5 mill. pounds—(NU)

M/s Kishore Spinning & Weaving Mills, G.T. Road, Panipat. (Panipat—Haryana)—Worsted Yarn—1,200 spindles—(NU)

M/s Kishore Textiles; G.T. Road, Panipat, Haryana. (Alwar—Rajasthan)—Shoddy Yarn—600 spindles—(NU)

Sugar

M/s Upper Doab Sugar Mills Limited; Shamli, Muzaffarnagar. (Muzaffarnagar—UP)—Sugar—5,000 tonnes—(SE)

M/s Siddheshwar Khand Udyog Sahakari Mandli Ltd; Talaja, Bhavnagar. (Bhavnagar—Gujarat)—Sugar—1,250 tonnes—(NU)

M/s Gauribidanur Sahakari Sakkare Karkhane Ltd; Gauribidanur, Kolar. (Kolar—Karnataka)—Sugar—2,000 tonnes—(SE)

Food Processing Industries

M/s Tamil Nadu Dairy Development Corporation Limited; 6-Titherdon Road, Vepery, Madras. (Madurai—Tamil Nadu)—Skim Milk Powder, Whole Milk Powder and Baby Food—3,500 tonnes—(NA)

M/s Sandoz (India) Ltd; Sandoz House, Dr Annie Besant Road, Worli, Bombay-18. (Thana—Maharashtra)—Pancreatin and other items based on pancreas of Cattle—30 tonnes (NA)

Vegetable Oils & Vanaspati

Mr Ved Prakash Aggarwal, 169, Golf Link, New Delhi. (Nasik—Maharashtra)—Cotton Seed Edible Oil by Expeller Process and by Solvent Extraction Process—30,000 tonnes—(NU)

M/s Ashwin Industries; Samlaya, Ashwin Nagar, District Baroda. (Baroda—Gujarat)—Cottonseed Oil—30,000 tonnes—(NA)

M/s Madanapalle Spinning Mills Ltd; C.T.M. Post, Madana-

paue, Chittoor Distt. (Nellore—Andhra Pradesh)—Cotton Seed Oil—30,000 tonnes—(NU)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Bihar State Industrial Development Corpn. Ltd; Patna-1. (Adityapur, Jamshedpur/Ranchi, Ranchi, Bihar)—Sponge Iron—30,000 tonnes—(NU)

Metallurgical Industries (Non-Ferrous)

M/s The Binani Metal Works Ltd; 103/24/1, Fereshore Road, Sibpur, Howrah. (Sibpur, Howrah, West Bengal)—Non-Ferrous Forgings—500 M. Tonnes—(NA)

Fuels

M/s Lubrizol India Ltd; Delstar, 9-A, S. Patkar Marg, Bombay. (Thana, Maharashtra) Chemical Additives—10,000 tonnes—(SE)

Electrical Equipments

M/s Chemical Construction Co. (P) Ltd; 29-Ring Road, Lajpat Nagar IV, New Delhi. (Faridabad Haryana)—Calcium Carbide Furnaces—2 nos.—(NA)

M/s The National Radio & Electronics Company Ltd; Unity House, 8-Mama Parmanand Marg, Bombay. (Bombay—Maharashtra)—High Speed Data Acquisition and Control Systems, including signal conditioners, seannars, A/D & D/A converters, linearisers, signal comparators, programmable controllers, DVMs, inter-face units & accessories—17 nos. worth about Rs 2.5 crores—(NA)

M/s Universal Electrics Ltd; 9/1, R.N. Mukherjee Road, Calcutta. (24-Parganas, West Bengal)—Protective Relays—30,000 Numbers—(SE)

M/s Technicraft Corporation; 44-Darya Mahal-A, Napean Sea Road, Bombay. (Kerala)—Plastic Film Capacitors—8 mills. pieces—(NU)

M/s Hindustan Brown Boveri Limited; 264/265, Dr. Annie Besant Road, Bombay. (Baroda—Gujarat)—Protective & Auxiliary Relays—32,500 nos.—(NA)

M/s Mukund Iron & Steel Works Ltd; Thana, Balapur Road, Kalwe, Thana. (Kalwe, Thana, Maharashtra)—Calcium Carbide Furnaces, upto 50 MN—2 nos. p.a—(NA)

Mr Shiv Kumar Agawala, 4-Hunger Ford Street, Calcutta-16. (Dum Dum Free Trade zone, West Bengal)—Transistors of various types—100 mill. nos—(NU)

M/s Gujarat Communications & Electronics Limited; Express Building, R.C. Dutt Road, Baroda—5. (Baroda—Gujarat)—Memory Stacks—1,400 nos—(NU)

M/s Geep Flashlight Industries; 28-South Road, Allahabad. (Allahabad—Gujarat)—Fluorescent Tubes—3 mill. nos. P.a.—(NA)

Telecommunications

M/s Padma Electronics; 15/4, E.V.R. Road, Puthur, Tiru-

chirapalli-17. (Tiruchy—Tamil Nadu)—Tuning/Recording Battery level Indicators—10 mill. nos. p.a—(NU)

Transportation

M/s Jaya Hind Industries Ltd; Akurdi, Poona. (Maharashtra)—Fly-Wheel Magnetos—2,00,000 numbers p.a—(SE)

Industrial Machinery

M/s The Indian Sugar & General Engineering Corpn.; P.O. Yamunanagar, Ambala. (Ambala, Haryana)—Centrifugal Machines—60 numbers p a—(NA)

M/s Ingersoll-Rand (India) Pvt. Ltd; 44-Maulana Abdul Gaffar Road, Worli, Bombay. (Bangalore—Karnataka)—Down the Hole Hammer Drills—300 numbers. Blast Hole/Water Well Drill upto 6 numbers—50 nos—Hard Held Light Drills such as Stoppers/Jack Drills/Drifters and Allied Accessories—500 numbers. Carset Bits upto 10 numbers Diameter—6,000 numbers. Heavy Duty Blast Hole Drills—8 nos to 12 nos capacity—24 nos. p.a—(SE/NA)

Mr V.G. Malani, C/O DVS International, A/15, West End, Rao Tula Ram Marg, New Delhi. (Faridabbd—Haryana)—High Speed Packaging Machinery (High Speed filling spouts, automatic sack filling machine, sack sealer sack flattener, sack shaper and turner—120 nos—(NU)

M/s Copper Rollers Pvt. Ltd; Gupta Mills Estate, Reay Road, Bombay. (Bhandup, Bombay, Maharashtra)—Copper Moulded Tubes machined for Continuous Casting Machine for Casting Steel Billets—2,000 numbers—(NA)

Miscellaneous Industries

M/s Hindustan Machine Tools Ltd; 36, Cunningham Road, Bangalore, (Bangalore—Karnataka)—Components for Nuclear Power Reactors (End Fittings and Liner Tubes)—400 sets—(NA)

Industrial Instruments

M/s P. Dalal & Co. Pvt. Ltd; 104, Kakad Chambers, 132, Dr A.B. Road, Worli, Bombay. (Kandla Free Trade Zone, Gujarat)—Rigid Arm Maganetic Stand—20,000 nos Pot Magnet—100,000 nos V. Block—15,000 nos Surface Gauge—20,000 nos Dial Indicator Accessories—210,000 nos Multi Gauging Fixtures—12 nos V. Block with Clamps—10,000 nos Precision Measuring Instruments—3,000 nos Total—378,012—nos

M/s Industrial Jewels Pvt. Ltd; 32, Ramjibhai Kamani Marg, Ballard Estate, Bombay. (Bhavnagar, Gujarat)—Watch Jewels—108 lakh nos—(SE)

Scientific Instruments

M/s Philips India Ltd; Shivsagar Estate, Block 'A', Dr Annie Besant Road, Worli, Bombay. (Loni—Kalbhor, Poona, Maharashtra)—Voltage Level Indicators—15,00,000 nos p.a.—(NA)

Chemicals (Other than Fertilizers)

M/s Kavle Ashok V. & Toke D.S., 'Vrushalpana', Yashwant Chambers, 3rd Floor, 18-B, Barucha March, Fort, Bombay—

(Kandla—Gujarat)—PVC floor Tiles—17,50,000 Sq. Mtrs.—(NU)

M/s Earnest Gases Pvt. Ltd; 207, Matsya Industrial Area, Alwar. (Alwar—Rajasthan)—Nitrogen Gas (NA)—0.225 MCM Dissolved Acetylene Gas 0.20 MCM —(SE/NA)

M/s Shah Oxygen Ltd; 64—New Bardan Lane, Bombay, (Thana—Maharashtra)—Dissolved Acetylene Gas—1 lakh Cubic Metres.—(NA)

M/s The Modi Paint & Varnish Works; Prop: Modi Industries Ltd; Modinagar, Meerut. (Ghaziabad—Meerut, UP)—Synthetic Resins—120 tonnes—(SE)

M/s Roger Engineering (P) Ptd; P-26, Transport Depot Road, Calcutta. (Haldia—West Bengal)—Oxygen Gas—1 milli. C. Metres—(NA)

M/s The Asiatic Oxygen & Acetylene Co. Ltd; 8-B.B.D., Bag East, Calcutta. (Kumhari, Durg. M.P.)—Oxygen Gas—1 MCM. D/Acetylene—0.36 MCM—(SE)

M/s Asiatic Oxygen & Acetylene Company Limited, Calcutta (Nagpur—Maharashtra)—Oxygen Gas—1 MCM. D/Acetylene—0.20 MCM—(SE)

M/s Andhra Pradesh State Agro Industries Corpn. Ltd; 10-2-3, A.C. Guards, Hyderabad. (Hyderabad/Guntur, Andhra Pradesh)—Benzene Hexachloride (BHC) Technical—3,000 tonnes—(NU)

M/s Stretch Fibres (India) Ltd; 20-Haines Road, Mahalaxmi, Bombay. (Nagpur—Maharashtra)—Nylon Yarn—4,200 tonnes.—(SE)

M/s Indian Organic Chemicals Limited; Chemicals Division, 6th Floor, New Excelsior Building, Wallace Street, Bombay. (Kolaba—Maharashtra)—Benzaldehyde—300 tonnes. Cinnamic Aldehyde—75 tonnes. Cinnamyl Alcohol—25 tonnes—(NA)

Mr C.R. Bishnoi, 14-Stephen Court, 18-A, Park Street, Calcutta. (West Bengal)—Dalapon (Technical)—50 tonnes Tetradifon (Technical)—15 tonnes (NU)

Dyestuffs

M/s Indian Dyestuff Industries Limited; Mafatlal Centre, Nariman Point, Bombay. (Kalyan, Thana, Maharashtra)—Reactive Dyes—600 tonnes.—(SE)

Drugs & Pharmaceuticals

M/s Abbott Laboratories (India) Pvt. Ltd; 133—Mahatma Gandhi Road, Dombay. (Kurla, Bombay, Maharashtra)—Citric Acid Mixtures Powder—200 kgs—Kaoline Mixture with Pectin—300 kgs—(NA)

M/s Searle (India) Ltd; Ralli House, 21-Reveline Street, Bombay. (Bangalore—Karnataka)—Diosgenin—5 tonnes—(NA)

M/s Ranbaxy Laboratories Limited; Okhla, New Delhi. (Ropar—Punjab)—Inorganic Chemicals (Laboratory Reagents and Analytical Reagents)—40.00 tonnes. Organic Chemicals (Laboratory Reagents and Analytical Reagents)—40.00 tonnes. Indicators and Stains—2.00 tonnes, Electronic Grade Chemicals—5.00 tonnes, Volumetric Solutions—10,000 litres—(NA)

Textiles

M/s The Rajalakshmi Mills Limited; Uppiliapalayam, Singanallur Post, Coimbatore. (Avanas-hi, Coimbatore, Tamil

Nadu)—Cotton Yarn/Staple Fibre Yarn—25,000 spindles.—(SE)

Mr Jaigopal Mehra, C/o M/s Jaishi Ram Mehra & Sons, Partap Bazar, Amritsar. (Backward District—H. Pradesh)—Worsted Woollen Yarn—1200 worsted spindles—(NU)

M/s Andhra Pradesh Fibres Ltd; Block 21, Flat-4, 2nd Floor, Poonam Apartments, Chirag Ali Lane, Hyderabad. (Sri-kakulam—Andhra Pradesh)—Jute Goods including Gunnies, Hessian Cloth and Jute Twine—15,000 tonnes—(NU)

Paper and Pulp

M/s Narmada Paper & Pulp Mills (P) Ltd; 'Paras', 6, Dr. Bhandari Marg, Indore-3. (Kandla Freed Trade Zone—Gujarat)—Tissue Paper and other Variety of Papers—4,500 tonnes—(NU)

M/s Colour Cartons Ltd; Ticcicon House, Dr. E. Moses Road, Bombay. (Bhandup—Bombay, Maharashtra)—Packing Materials—5,700tonnes—(SE)

Vegetable Oils and Vanaspati

M/s Hyderabad Vanaspati Ltd; 5-9-270, John's Lane, Gunfoundry, Hyderabad. (Moula Ali, Hyderabad. A. Pradesh) Cotton Seed Oil and Minor Seed Oil in terms of cotton seed/ minoroil seed—40,000 tonnes—(NA)

Glass

M/s Indo-Asahi Glass Company Limited, 3-Hungerford Street, Calcutta. (West Bengal)—Heat-Absorbing Sheet Glass and Plain Window Glass—29,000 tonnes. Heat-Absorbing Wired and Figured Glass—16,000 tonnes—(NU)

Ceramics

M/s Venkataraman Gokhale, 419, Narayanpeth, Poona. (Kandla Free Trade Zone, Gujarat)—Bath Tubs—2,400 nos. Showertrays—2,400 nos. Doors—2,000 nos. Partition Elements—2,000 nos—(NU)

M/s Salem Magnesite Pvt. Ltd; 38-Noble Chambers, S.A. Barelvi Road, Bombay. (Salem—Tamil Nadu)—Dead Burnt Magnesite—30,000 tonnes.—(SE)

Cement and Gypsum Products

M/s The Associated Cement Companies Limited; Cement House, 121, Maharshi Karve Road, Bombay. (Junagarh—Gujarat)—Portland Cement—4,00,000 tonnes—(SE)

M/s Assam Industrial Development Corporation Ltd; Kannachal Road, Silpukhuri, Gauhati-3. (Gauhati—Assam)—Asbestors Cement Products—36,000 tonnes, Pipes & Fittings—4,000 tonnes—(NU)

Timber Products

M/s Royal Bengal Match Factory; Haldia, Midnapur. (Midnapur—West Bengal)—Complete Safety Match Boxes with Stricks—90,000 Gross Match Boxes—(NU)

Changes in the Names of Owners & Undertakings

(Information pertains to particular licences only)

From M/s York India Limited to M/s Snowtemp Engg. Company Limited, Faridabad.

alle. Chittoor Distt. (Nellore—Andhra Pradesh)—Cotton Seed

From Mr K.C. Sethi to M/s Orient Plywood & Veneering Industries Limited.

From M/s Nandlal Bhandari Mills Ltd; Indore to M/s Hope Textiles Limited.

From M/s The Western India Match Company Limited to M/s WIMCO Limited.

From M/s Ashok Steel Corporation Pvt. Ltd to M/s Ashok Steel Corporation Limited.

From M/s Metropolitan Instruments Limited to M/s Keltron Counters Limited.

Form M/s Haryana Oxygen Pvt. Limited to M/s Haryana Oxygen Limited.

From M/s Kalindi Woollen Mills (P) Ltd to M/s Kalindi Woollen Mills Limited.

From M/s Nestler Boilers Pvt. Limited to M/s Nestler Boilers Limited.

From M/s G. Varadan Pvt. Ltd; Bombay to M/s Dandy Roals India Private Limited, Bangalore.

From M/s Harduaganj Cooperative Sugar Factory Limited, Aligarh to M/s Kisan Sahakari Chini Mills Limited, Aligarh.

From M/s The Balrampur Sugar Co. Limited to M/s Balrampur Chini Mills Limited

From M/s Adoni Vanaspati Manufacturers, Adoni to M/s Adoni Oxygen Bottlers, Adoni.

From M/s Supreme Rubber Reclaimers Pvt. Ltd to M/s Supreme Rubber Reclaimers Limited.

From M/s Avalon Products (P) Limited to M/s International Instruments (P) Limited.

From M/s K.T. Steel Industries Pvt. Ltd to M/s Khushiram Tarachand Pvt. Limited.

From M/s The Murarka Paint & Varnish Works (P) Limited, Calcutta to M/s The Murarka Paint & Varnish Works Limited.

From M/s Steels Worth Pvt. Limited to M/s Steelsworth Limited.

From M/s Zenith Steel Pipes Ltd to M/s Zenith Steel Pipes & Industries Ltd.

From M/s EMA-India Induction Heating Co. (P) Ltd to M/s EMA-India Limited, Kanpur.

From M/s The Western India Match Company Limited to M/s WIMCO Limited, Bombay.

Licences Revoked, Lapsed or Cancelled

(Information pertains to particular licences only)

M/s Tanza Beverages Pvt. Ltd; New Delhi—Soft Drinks, etc. (Cancelled)

M/s Standard Batteries Ltd; Madras-32—Krypton Filled Miners Cap Lamps. (Revoked)

Shri Jagdish Prasad, Lucknow (UP)—Scooters. (Cancelled)

Shri Ram A. Gupta, Dir., M/s Computech Pvt. Ltd; New Delhi—Electronic Desk Calculators. (Cancelled)

M/s Dulichand Omraolall, Calcutta—Vanaspati. (Revoked)

Shri Harsh Kumar Agrawal, New Delhi—Vanaspati. (Revoked)

chirapalli-17. (Tiruchy—Tamil Nadu)—Tuning/Recording

M/s Bombay Soap Factory, Bombay—Vanaspathi. (Revoked)

M/s U.P. Gases (Pvt.) Ltd; Agra-4—Oxygen Gas. (Revoked)

Shri R.K. Jhunjhunwala, Bombay—Housing, Class Sealed Terminals etc. & Transistors Headers. (Closed)

The Executive Director, J.K. Steel & Industries Ltd; New Delhi—Cold Rolled Strips. (Revoked)

M/s Hub Bolts & Nuts India Ltd; Bombay—Wheel Bolts, Nuts, Axle Stud Sleeves & Nuts and Oil Pumps Spares for Automobiles. (Revoked)

M/s Rattan Lal Prem Chand Engineering Works, Kurukhetra—Steel Pipes & Tubes. (Cancelled)

M/s Meena Gases Limited, Delhi—Oxygen & Dissolved Acetylene Gases. (Revoked)

Marsden Spinning Manufacturing Co. Ltd; Ahmedabad-1—(i) Screw Printing Equipment; (ii) 3/Bowl Foulards (Padding Mangles); (iii) Hot Flue; (iv) Beam carrying trolleys, reed cleaning machines and other auxiliary weaving machines. (Revoked)

Marsden Spinning Manufacturing Co. Ltd; Ahmedabad-1—Blanket Washers. (Revoked)

Marsden Spinning Manufacturing Co. Ltd; Ahmedabad-1—Evercleaners for Carding Engines (Revoked)

Marsden Spinning Manufacturing Co. Ltd; Ahmedabad-1—Fibre Meter (Fibre Blending Machinery, Blow Room Machinery) (Revoked)

M/s Avlon Products (P) Ltd; Unity Buildings, Bangalore—Wiper Motors, Safety Flashers and Special Locks. (Cancelled)

Shri S.V. Sivalinga Nadar, Madras—Vanaspati. (Revoked)

M/s Ruttansha Electronics (P) Ltd; Bombay—Calculators & Oscilloscopes. (Cancelled)

Letters of Intent Rejected, Cancelled or Lapsed

(Information pertains to particular Letters of Intent only)

Mr P.L. Kohli, New Delhi—Wire Drawing Diamond Dies. (Cancelled)

M/s The Indian Sugar & General Engineering Corpn., New Delhi—Anion & Cation Exchange Resins. (Lapsed)

Shri V.N. Seth, C/O Jagat Talkies Distributors. Delhi—Connectors. (Closed)

M/s The Kerala Ceramics Ltd; Kundara, Kerala—Chinaware & Pottery. (Lapsed)

Mr S.K. Malik, New Delhi—Cotton Seed Oil. (Lapsed)

Mr Madan Gopal, New Delhi—Gear for Automobiles. (Closed)

M/s Jain Brothers, Delhi—Cylinder Heads and Crankshafts. (Closed)

Mr U.K. Deshmukh, Poona—Not indicated (Cancelled)

M/s Flour & Food Ltd; Indore—Protein Insolate. (Lapsed)

Shri P.C. Venkataramulu, Kurnool—Cotton Seed Oil. (Lapsed)

M/s Haryana Industrial Gases Corporation, Chandigarh—Carbon Dioxide Gas. (Lapsed)

M/s Repetition Parts (P) Ltd; Bombay—Not indicated. (Cancelled)

M/s Magnesite & Minerals Ltd; Calcutta—Dead Burnt Magnesite. (Cancelled)

M/s Indian Furniture Works, Bangalore—Industrial Gases. (Lapsed)

M/s Sylvania & Laxman Ltd; 68/2, Najafgarh Road, New Delhi—Argon Gas. (Lapsed)

M/s Jagatjit Industries Ltd; New Delhi—Soya Protein Isolate, etc. (Lapsed)

M/s Haryana Bottling Ltd; New Delhi—Soft Drinks. (Lapsed)

Shri G.S. Gill, 1, Cornwall Gardens London S.W. 7 (UK)—Infant Food. (Lapsed)

M/s UP State Industrial Development Corpn. Ltd; Kanpur—Automobile Shock Absorbers. (Cancelled)

M/s Sartech Pvt. Ltd; Bombay—Gears. (Cancelled)

Mr S.N. Dhawan, C/o M/s Machines & Tools Corporation, Delhi—Cotton Seed Oil. (Lapsed)

Shri Ashok Kumar Goel, New Delhi—Cotton Seed Oil (Lapsed)

M/s Jayant Oil Mills (P) Ltd; Hyderabad—Castor Oil and its bye-products. (Lapsed)

M/s J. Shanti Nath & Co., New Delhi—Freeze Dried Fruits, etc. (Lapsed)

M/s Ashok Industries, Ratlam—Cotton Seed Oil. (Lapsed)

M/s Polisetty Somasundram (P) Ltd; Guntur—Castor Oil & its bye-products. (Lapsed)

Mr P.C. Mutha, Ujjain (MP)—Cotton Seed Oil. (Lapsed)

Mr J.C. Tandon, New Delhi—Cotton Seed Oil. (Lapsed)

M/s Keeran Vegetable Products Ltd; Bhiwani—Cotton Seed Oil. (Lapsed)

M/s Associated Printers (Madras) Private Ltd; Madras-7—Overhead Projectors & Transparency Makers, etc. (Cancelled)

M/s The New India Industries Ltd; Baroda—Flat Wire Heads. (Cancelled)

M/s Rajasthan Oil Industries, New Delhi—Cotton Seed Oil. (Lapsed)

M/s General Foods, New Delhi—Mango Powder, etc. (Lapsed)

M/s Konkani Chemicals Pvt. Ltd; Bombay—Phenol. (Cancelled)

M/s Kidarsons Industries, Pvt. Ltd; New Delhi—Cold Rolled Strips. (Cancelled)

M/s Laxmi Industries, Bombay—Ceramic Capacitors. (Closed)

Mr Hemant Kumar Hasmukhlal Shroff, Bombay—Clutch Assembly. (Closed)

M/s Synthetics & Chemicals Ltd; Bombay—Conveyor Belting. (Closed)

M/s Arun Lamp Industry, Howrah, West Bengal—Lead-In-Wire. (Lapsed)

Mr Naranglal Agarwal, Hyderabad—Ball & Roller Bearings. (Cancelled)

The Southern Gas Ltd; Cochin—Industrial Gases. (Lapsed)

M/s Shardlow India Ltd; Madras—Crankshaft & other Forgings. (Cancelled)

Shri Ramesh Kumar Sharma, Calcutta-16—Lamp Caps. (Lapsed)

M/s Lamps & Glass Component, New Delhi—Lamp Caps. (Lapsed)

M/s Uttar Pradesh Poorvanchal Vikas Nigam Ltd; Faizabad—GLS Lamps. (Lapsed)

Lt. Col. L.K. Malhotra, New Delhi—(i) PVC Battery Separators (ii) and Battery Containers (Lapsed)

M/s National Glass Insulators, Anand, Gujarat—High Tension Glass Insulators. (Cancelled)

M/s Beekay Enterprises, Calcutta—Lamp Caps. (Lapsed)

Smt. Nandrani A. Gupta, Lonavala (Poona)—Fluorescent Powder. (Lapsed)

M/s Pradip Lamp Works, Patna—Tungsten Filaments. (Lapsed)

Mr A.M. Parekh, Bombay—Sapphire Points Stylii. (Lapsed)

Mr M.A. Palaniappan Chettiar, Salem—Fibre Glass. (Cancelled)

Mr P. Obul Reddy, Madras—Fibre Glass. (Cancelled)

Mr Raj Kumar Parshotam Nath Jain, New Delhi—Fibre Glass. (Cancelled)

M/s Industrial Aids, Madras—Fibre Glass. (Cancelled)

M/s Rahi Glass Ltd; Promoter: Shri N. Chandra, New Delhi—Fibre Glass. (Cancelled)

M/s Hanuman Vitamin Food Pvt. Ltd; Bombay—High Protein Foods & High Protein Beverage. (Lapsed)

The Development Corpn. of Vidarbha Ltd; Nagpur—H.T. Porcelain Insulators. (Lapsed)

M/s Southern Industrial Corporation Limited, Madras—Bolts & Screw Manufacturing Machinery. (Cancelled)

Mr M.K. Saraswat, Vasco-Da-Gama—Industrial Gases. (Lapsed)

M/s U.P. State Industrial Development Corporation Limited, Kanpur—Body Building of Integral Body Design. (Cancelled)

Mr Vasantlal Gafurchand Mehta, Bombay—Automobile Clutch Plates, etc. (Cancelled)

M/s Ultramarine & Pigment Ltd; Bombay—Citric Acid. (Lapsed)

Mr M.P. Goenka, Calcutta—Formic Acid & Oxalic Acid. (Cancelled)

Indian Sugar Mills Association

Problems and Prospects of the Industry

Extracts from the Presidential Address of

Shri Madhava Prasad, at the 43rd Annual General Meeting of the Indian Sugar Mills Association, held on Thursday the 26th August, 1976, at New Delhi.

DURING THE financial year ending March, 1976, the performance of the Sugar Industry in the field of exports has been indeed spectacular; sugar exports totalling to 12.02 lakh tonnes, earning a foreign exchange of about Rs 475 crores, the highest for any commodity exported during the year, thus helping the nation towards better balance of payments position. This also included a rupee profit for the Exchequer of about Rs 155 crores. Unlike many other commodities, the increase in the foreign exchange from sugar exports was due mainly to the increase in the quantum of exports.

Undeniably, such large exports became possible due to the record sugar output of 48 lakh tonnes achieved during the 1974-75 season. It is unfortunate that there has been a sharp decline in the sugar output this year which is now finally placed around 42.6 lakh tonnes showing a drop of 5.4 lakh tonnes from the last season's record output. Its immediate impact has been felt on our ability to maintain exports and Government have been compelled to reduce the export allocations to a bare six lakh tonnes. Such set back in output has been caused primarily due to large scale diversion of cane to khandsari and gur. The absence of excise rebates was another serious handicap this year. Consequently, sugar factories could not start early

with lower recoveries, as compensatory excise rebates were not there. The sugar output of 2.55 lakh tonnes achieved this year in the initial months of October and November is the lowest ever produced over the past 7 years during these months. The average variation in the output of gur and khandsari taken together during the 15 year period from 1960-61 to 1974-75 has been only marginal being 1.4%. In case of sugar the variations are as high as 6.2% almost 4.5 times that of gur and khandsari. With numerous advantages which khandsari now enjoy, their production has been going up from year to year. As long as its supplies are in abundance, free sugar rules at highly uneconomical rates and factories have to dispose of their free sugar quotas at such prices. It is only with the khandsari pressure diminishing that the free markets tend to steady up. Unfortunately, this gives a wrong impression and provokes public criticism against the industry.

The larger interests of the industry would be served not by occasional price spurts in the free market, but only by a sustained and steady level of prices throughout the year. Considering the large scale production of khandsari sugar, if price stability in free markets has to be ensured, it appears, the present policy of monthly

quota releases would need to be strengthened further with some regulatory measures on khandsari supplies as well.

In fact, it would be desirable for the Government to consider an integrated and co-ordinated policy covering all the aspects of the working of gur and khandsari industries. A comprehensive sugar policy is now an urgent necessity which would apply equally and uniformly to all the three sweetening agents to maintain production and price stability on the one hand and maximise sugar exports on the other.

Free market prices cannot be considered in isolation. They have to be reckoned with the highly unrealistic and uneconomic levy prices. The industry has to deliver 65% of its output at such prices. It is hoped that the new cost schedules to be prepared by the Bureau of Industrial Costs & Prices will be found realistic and will meet the needs of the situation.

With an uneconomic price structure to the industry over the period, its profitability has been seriously undermined. The position has been progressively deteriorating and the percentage of loss making units has been going up. From 23% in 1972-73, it went up to 47% in 1973-74. During 1974-75, their percentage is as high as 66%. On Hon'ble Finance Minister's own admission in the Lok Sabha on August 10, 1976, the prices allowed to the industry were unremunerative which had rendered many sugar mills "sick".

The Sugar Enquiry Commission went into the question of sickness in the industry in depth. It has conclusively established that the sickness was more or less uniformly spread in the old as well as new units, in all the sectors of the industry and units located in every region of the country, and there was no ground to suggest that on an overall basis either one or the other sector or one or the other region was distinctly superior. To check further spread of sickness, a remunerative price structure to the industry has to be ensured.

The rate at which sickness has been spreading in the new units is indeed alarming. On the admission of the Chairman, Maharashtra Rajya Sahakari Sakhar Karkhana Sangh out of 42 cooperative sugar factories working in the State, 22 had already gone sick and this process was continuing. In his recent study Shri N.S. Kharkar, a sugar technologist from the DSTA has concluded that "out of 32 cooperative factories under study, 13 factories had together unduly expanded their crushing capacity by a gross total of more than 8,000 tonnes per day crushing, even though they had inadequate assured cane from their members, for crushing for a period of 150 days. Some of these factories have been established since last 10 to 15 years and it is pertinent to note that they still could not develop enough cane in their allocated area of operation, even for their initial crushing capacity. This only shows that either the selection of the site for these factories was wrong or at least the expansion in their crushing capacity was not warranted. The tremendous capital invested on these ex-

pansions can be considered as a waste of public money". Shri Kharkar has therefore further concluded that the work on all the proposed sugar factories, where erection has not yet started, should be suspended immediately, till all the existing factories in production are assured adequate cane for crushing for 150 days.

What has today assumed serious proportions in Maharashtra is gradually spreading in other States also. Licences for new cooperative factories/public sector factories have been issued without regard to the cane availability in the area. In most cases such licences have been issued for sites, in close proximity of the existing units disregarding the Government's own declared assurance that new units would not be located within a radius of 50 kilometres of the existing units.

It is necessary that a Central

independent authority is created to hear grievances of the affected factories and till this authority has disposed of the same, new licences should not be granted. Even the licences already granted, but where no tangible steps have been taken to implement the same, these should be kept in abeyance pending investigation by the said authority.

For maximisation of sugar output, a policy of excise rebates on the pattern, as recommended by the APC should be revived with the modification that the earlier period of October/November should constitute a separate period. This is essential to induce early start by factories and prevent diversion to gur and khandsari when growers are anxious to vacate their fields for sowing other crops like wheat. Early announcement of adequate excise rebates would have a

salutary effect on sugar markets also as that would restore the confidence of the markets in the continued adequate supplies of sugar for free sale.

For stepping up sugar output, it is equally significant and urgent that the excise duty on free sugar which has been progressively raised to the high rate of 45% ad valorem, should be reduced to minimise the present tax disparity between sugar, khandsari and gur to prevent diversion of cane from factory areas. Even Government's revenue considerations and the need for earning foreign exchange would underline the urgency for such reduction.

The statutory minimum cane price for 1976-77 should be raised from the level of Rs 8.50 to Rs 10 per quintal linked to a basic recovery of 8.5%. While it is true that the actual

cane prices paid by factories are higher but it is this price to which grower looks for stability and it goes to influence the cane acreage materially.

It is a happy augury that during the fifth Plan period Government of India have prepared a programme for development of sugarcane. However, the financial outlay which was initially contemplated at Rs 27 crores but subsequently scaled down to only about Rs 11 crores is too low having regard to the magnitude of the problem and the need for developing vast areas. The outlay needs to be revised suitably consistent with the task involved. Similarly, there is need for better coordination between the various research institutes in the country so as to ensure that fruits of research reach the fields expeditiously.

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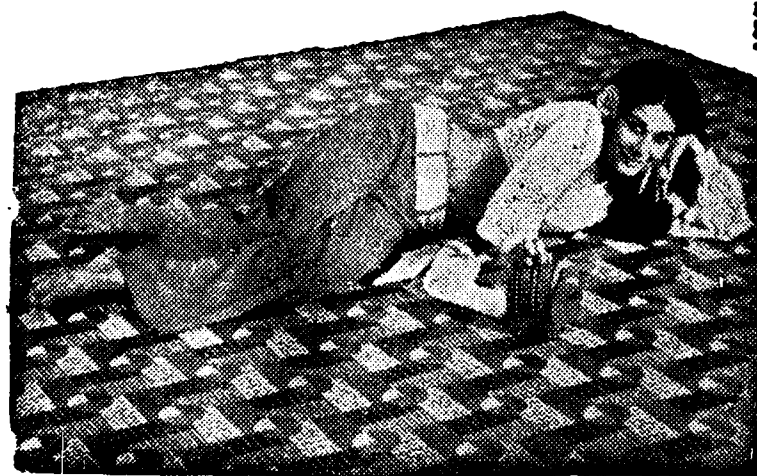
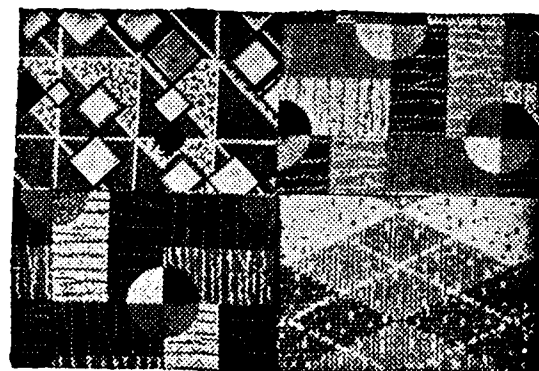
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World demand and India's share in engineering exports

RECORDS AND STATISTICS

At a recent conference of top manufacturers and exporters held in the capital, Mr. R.C. Maheshwari, chairman, Engineering Export Promotion Council presented "An Approach Paper to Export Strategy" which showed that India's share was pathetically low even in sectors which are currently saddled with persistent capacity under-utilisation. Through a series of examples, he emphasised the point that in this country there was need for increased utilisation of idle capacity if the targets set for exports for the coming years were to be met. The tables below give India's share in the world markets for different types of engineering products :

MAJOR IMPORTING COUNTRIES FOR SPECIFIED PRODUCTS IN 1973

Major importing countries	US \$ million	India's share (Million \$)
Welded Steel Tubes		
USA	210.3	1.1
West Germany	108.2	0.5
Netherlands	86.1	nil
France	80.1	0.2
Sweden	60.0	nil
UK	115.4	1.9
Belgium./Lux	30.1	0.2
Canada	23.5	nil
Denmark	47.4	0.1
Switzerland	49.8	nil
Finland	27.8	nil
Austria	14.2	nil
Norway	18.9	nil
Australia	49.5	0.3
New Zealand	9.8	0.2
Italy	22.1	nil
Singapore	9.8	0.05
Ireland	7.3	nil
Nigeria	4.6	0.1
Greece	11.9	nil
Brazil	6.1	nil
Morocco	4.1	nil
Steel Tube Fittings		
Netherlands	40.7	nil
West Germany	45.1	nil
Canada	39.8	neg
France	43.3	neg

Major importing countries	US\$ million	India's share (Million \$)
USA	24.8	nil
Belgium./Lux	29.3	neg
Italy	28.3	nil
UK	18.0	neg
Denmark	17.3	nil
Switzerland	16.3	nil
Sweden	15.0	nil
Spain	10.7	nil
Kuwait	8.9	0.02
Nigeria	7.2	0.02
Indonesia	13.9	0.02
Fabricated Steel Structural		
West Germany	158.7	nil
Netherlands	80.7	nil
Belgium./Lux	54.4	nil
France	85.8	nil
USA	19.3	2.3
Iran	25.4(1972)	0.02
Libya	36.4	0.06
Singapore	6.1	0.06
Hong Kong	7.1	neg
Nigeria	6.5	neg
Zambia	2.4	0.01
Thailand	3.4	0.05
Iraq	11.0	0.08
Canada	42.5	neg
Switzerland	46.4	nil
Sweden	25.4	nil
South Korea	9.3	nil
Yugoslavia	35.1	nil
Turkey	30.9	nil
UK	44.4	neg
Brazil	23.9	nil
Austria	23.2	nil
Saudi Arabia	13.1	neg
Note: The importing countries considered in the table account for nearly 55.26 per cent of the total world imports.		
Wire Ropes		
USA	134.3	0.7
West Germany	35.7	nil
France	34.0	nil
Netherlands	25.3	nil
Sweden	17.5	nil

—Contd

Major importing countries	US\$ million	India's share (Million \$)	Major importing countries	US\$ million	India's share (Million \$)
UK	14.5	0.01	Batteries—Dry and Storage		
Italy	11.3	nil	West Germany	44.8	0.2
Brazil	5.1	nil	USA	39.1	nil
Mexico	4.4	nil	Netherlands	32.4	neg
Bolts, Nuts, Rivets and Washers			Canada	23.2	nil
USA	217.4	0.3	France	32.5	nil
Canada	93.5	0.02	Italy	28.2	nil
France	76.1	nil	Belgium/Lux	25.8	neg
West Germany	66.0	0.8	U K	20.1	0.01
Netherlands	46.3	nil	Switzerland	13.9	nil
Belgium./Lux	36.0	nil	Sweden	12.7	nil
UK	30.0	0.02	Singapore	5.6	neg
Sweden	27.4	nil	Hong Kong	6.0	neg
Switzerland	22.3	nil	Indonesia	3.5	nil
Italy	18.3	nil	Thailand	1.9	neg
Denmark	18.1	nil	Sudan	1.9	0.3

Note: The countries considered in the table account for nearly 90 per cent of total world imports.

Builders Hardware

Canada	65.4	neg
USA	62.7	0.1
France	53.7	nil
West Germany	51.4	0.02
Netherlands	41.8	0.05
Belgium./Lux	33.7	nil
Sweden	28.4	neg
Austria	26.6	nil
Switzerland	23.6	nil
UK	25.0	0.4

Note: The world market export and import figures include base metal fittings and mountings of types, largely used in furniture and doors etc. such as hinges, tower bolts, fittings and miscellaneous items.

The countries considered here account for approx. 75 per cent of total world imports.

Electric Wires and Cables

USA	132.8	nil
West Germany	89.0	neg
Netherlands	62.1	nil
Belgium./Lux	60.7	nil
France	58.8	nil
Iran	39.1	3.4
Sweden	35.7	nil
South Africa	29.6	nil
UK	34.6	0.04
Singapore	23.5	1.00
Denmark	30.7	nil
Canada	26.2	nil
Hong Kong	20.4	0.5
Italy	22.3	nil
Kuwait	16.0	0.4
Nigeria	15.3	nil
Iraq	7.8	0.05
Thailand	6.6	neg
Egypt	5.7	nil

Note: The importing countries considered in the table account for nearly 63.3 per cent of the total world imports.

Major importing countries	US\$ million	India's share (Million \$)
Batteries—Dry and Storage		
West Germany	44.8	0.2
USA	39.1	nil
Netherlands	32.4	neg
Canada	23.2	nil
France	32.5	nil
Italy	28.2	nil
Belgium/Lux	25.8	neg
U K	20.1	0.01
Switzerland	13.9	nil
Sweden	12.7	nil
Singapore	5.6	neg
Hong Kong	6.0	neg
Indonesia	3.5	nil
Thailand	1.9	neg
Sudan	1.9	0.3
Yugoslavia	3.0	nil
Zambia	1.8	neg
Kuwait	1.7	0.04
Egypt	1.8	nil
Tunisia	1.7	nil

Note: The countries considered in the table account for nearly 61.5 per cent of the total world imports.

Major importing countries	Major exporting countries
USA (18.96%)	France (18.2%)
219.1	Japan (16.1%)
	West Germany (13.6%)
	157.7
	Canada (6.6%)
	76.1
	India (6.4%)

Railway Locomotives, Wagons, Coaches and Parts thereof

Yugoslavia	5.3	25.8	—	15.6	24.7	2.9
Brazil	31.1	—	3.5	1.2	—	Nil
Mexico	47.0	0.9	0.2	0.01	5.8	Nil
South Africa	31.0	0.7	4.1	3.4	0.7	Nil
West Germany	0.2	18.6	—	—	—	Nil
USA	—	22.2	74.7	0.5	18.1	Nil
Belgium & Lux	0.8	14.8	0.03	11.3	—	Nil
Netherlands	0.1	0.7	0.7	12.0	—	Nil
France	0.4	—	0.2	13.9	—	0.1
Canada	34.4	0.4	0.2	0.02	—	Nil
India	7.2	1.2	10.9	3.8	0.8	—
Argentina	3.1	0.2	27.8	0.4	0.01	Nil
Italy	2.5	5.1	0.03	7.6	—	Nil
Sweden	0.02	2.9	—	8.7	0.02	Nil
South Korea	2.2	10.2	4.6	0.03	—	Nil
Denmark	0.02	0.7	—	5.4	—	Nil
Austria	—	1.7	—	8.2	—	Nil
Algeria	8.5	3.2	—	0.5	—	Nil
UK	0.2	0.8	0.9	0.7	0.02	Neg

Note: The exporting countries considered in the table account for 73.5 per cent of total world exports.
The importing countries considered in the table account for 71.7 per cent of total world imports.

Major importing countries	West Germany (38.1%)	USA (12.8%)	Switzerland (8.4%)	Japan (8.0%)	UK (7.4%)	India (4.1%)
	1470	496	326	308	285	4.1

Machine Tools

France	166.5	43.4	33.8	1.75	17.8	Nil
Canada	9.6	86.7	1.5	4.8	15.3	0.05
Italy	119.4	18.2	23.0	1.3	11.3	Neg
West Germany	—	15.4	48.2	7.9	22.7	0.3
USA	55.4	—	21.7	24.00	24.2	0.4
UK	66.5	23.5	23.8	2.8	—	0.4
Brazil	57.8	55.7	10.6	14.9	8.5	Nil
Belgium & Lux.	72.2	9.0	3.7	2.3	6.3	Neg
Japan	32.2	45.8	15.1	—	3.5	0.2
Spain	55.5	18.3	10.6	0.5	15.8	Nil
South Africa	28.2	7.3	1.7	34.5	24.1	Nil
Sweden	76.3	5.4	7.4	3.5	10.0	0.2
Yugoslavia	38.6	4.9	4.3	0.1	2.75	Nil
Netherlands	46.8	6.4	4.0	1.7	6.0	0.2
Austria	44.0	4.6	9.5	2.6	3.1	Nil
Switzerland	56.0	2.8	—	0.6	6.9	Nil

Note: The exporting countries considered in the table account for nearly 75 per cent of the total world exports.
The importing countries considered in the table account for nearly 75 per cent of the total world imports.

Major importing countries	West Germany (15.4%)	USA (9.6%)	Sweden (8.75%)	U.K. (8.5%)	Japan (6.2%)	France (6.2%)	India (10.1%)
	290.4	180.3	164.8	160.9	116.6	10.1	482.8

Hand Tools, Cutting Tools and Mining Tools

West Germany	—	14.1	18.9	8.9	9.2	20.4	1.0
USA	20.4	—	11.0	12.9	61.0	2.9	1.7
France	58.1	10.8	20.2	8.2	1.7	—	0.2
Canada	4.4	84.1	3.7	11.5	9.5	0.6	0.4
UK	22.0	19.6	18.8	—	5.5	4.0	0.9
Italy	47.5	6.4	16.3	5.3	1.7	9.8	Neg
Netherlands	49.0	8.4	5.2	8.4	4.2	3.9	0.5
Belgium & Lux.	31.6	9.1	3.7	4.4	1.0	9.8	0.09
Switzerland	38.8	3.7	3.7	3.3	1.0	3.3	0.02
Australia	5.1	11.1	4.0	10.4	6.5	0.1	Nil
Sweden	18.3	3.7	—	6.6	2.0	2.1	0.4
South Africa	11.8	9.7	3.4	11.5	3.5	1.0	Nil
Japan	5.0	11.9	5.8	2.8	—	1.2	0.3
Brazil	6.3	9.1	2.0	1.6	1.3	0.7	0.01
Austria	23.5	0.7	3.0	1.5	0.4	0.7	0.1
Denmark	13.6	1.0	8.6	2.6	1.1	0.6	0.02

Note: The exporting countries considered in the table account for nearly 75 per cent of the total world exports.
The importing countries considered in the table account for nearly 70 per cent of the total world imports.

Major importing countries	West Germany (21.8%)	Japan (14.5%)	UK (11.5%)	France (11.0%)	USA (8.1%)	Italy (6.9%)	Netherlands (5.1%)	India (16.9%)
	311.4	207.6	164.1	157.9	116.1	98.1	72.6	16.9

Bicycles and Parts

USA	24.9	121.1	27.5	40.8	—	15.6	6.6	0.6
Canada	2.7	18.3	9.5	6.6	82.0	2.0	0.3	0.07
Netherlands	60.0	0.8	31.3	12.3	0.4	3.1	—	0.02
West Germany	—	2.9	2.8	16.8	0.4	17.3	30.9	0.07
France	37.8	1.4	11.6	—	1.3	15.9	7.2	0.2
Belgium & Lux.	23.1	1.1	8.3	16.4	0.7	3.2	19.0	0.1
Switzerland	26.6	0.5	2.4	4.9	—	2.5	1.0	Neg
Sweden	14.5	0.5	5.1	1.1	0.2	0.6	0.3	Neg
Italy	17.4	0.2	0.9	12.0	0.3	—	1.2	0.4
Denmark	9.5	0.3	7.7	0.9	0.03	0.9	0.2	Nil
UK	6.6	0.6	—	8.2	1.0	2.5	1.6	0.3
Austria	25.7	5.2	1.7	3.5	0.4	7.4	0.8	Nil
Nigeria	2.4	0.8	10.1	0.3	0.2	0.5	0.03	3.0

Note: The seven developed countries account for about 79 per cent of total world exports.
The importing countries considered in the table account for about 78 per cent of total world imports.

(US \$ million)								(US \$ million)						
Major importing countries	Major exporting countries							Major importing countries	Major exporting countries					
	West Germany (17.5%) (24.4%) 1495.3	USA (10.55%) 1071.3	France (10%) 645.6	Japan (10%) 612	UK (7.3%) 447.4	Switzerland (4.8%) 295	India 6.7		West Germany (34.1%) 1747.6	Switzerland (12.8%) 653.3	Japan (12.7%) 650.9	UK (9.3%) 476.5	USA (7.5%) 383.6	India 5.8
Electric Motors, Transformers, Switchgears Etc.								Jute, Textile including Knitting and Shoe Making Machinery and Parts :						
West Germany	—	44.9	97.3	20.6	17.4	54.4	0.8	USA	205.1	64.1	92.1	89.6	—	0.05
USA	47.7	—	18.8	96.5	20.9	31.1	0.01	Italy	150.1	58.1	105.4	18.5	18.0	Nil
France	137.7	38.8	—	4.5	16.4	18.8	Neg	France	132.0	44.9	8.3	20.0	10.8	0.02
Italy	150.3	23.1	52.8	8.7	9.0	15.3	Nil	UK	87.4	42.7	18.6	—	26.1	0.2
UK	74.6	59.7	37.2	13.1	—	13.6	0.1	West Germany	—	57.8	28.2	39.1	21.8	0.1
Netherlands	159.3	20.2	34.4	3.6	16.6	13.0	Nil	Japan	72.4	25.9	—	12.7	23.0	0.07
Canada	9.5	246.8	8.2	13.1	26.1	5.1	Nil	South Korea	9.2	5.1	15.6	7.3	7.7	0.5
Belgium & Lux	103.0	12.0	56.8	2.5	7.6	6.6	Nil	Brazil	58.7	19.0	16.0	13.4	15.3	Neg
Sweden	88.5	10.9	9.1	2.5	13.4	14.8	0.03	Spain	61.3	22.2	1.6	9.4	7.6	Neg
Switzerland	103.1	12.5	16.5	4.9	6.6	—	0.01	Canada	13.3	7.7	7.4	15.4	61.7	Neg
Brazil	25.4	43.2	17.5	16.6	2.1	7.5	Neg	Turkey	61.8	36.1	2.0	12.3	7.4	Neg
South Africa	23.6	18.9	9.5	19.3	41.0	7.4	Nil	Belgium & Lux	53.9	14.1	1.8	9.0	5.0	Neg
Japan	11.6	97.9	4.5	—	1.4	4.0	Neg	Iran	44.9	8.8	5.9	7.5	4.1	0.1
Austria	94.0	0.6	2.6	1.0	1.3	14.4	Nil	Mexico	31.0	4.8	8.9	5.5	23.0	Nil
Denmark	53.3	5.3	4.0	0.6	8.3	11.8	Nil	Indonesia	11.1	2.6	51.1	4.1	4.4	0.1
Spain	39.1	15.0	24.6	3.4	6.1	7.3	Nil	Yugoslavia	43.4	10.1	1.0	7.9	1.2	0.03
Mexico	4.5	105.0	5.7	19.9	1.2	2.3	Nil	Netherlands	51.7	8.0	3.1	7.9	4.8	Nil
Australia	15.1	11.2	1.7	16.1	21.8	3.7	0.07	Portugal	28.9	19.1	1.1	6.0	1.5	Nil
Norway	31.2	1.7	3.6	1.0	4.1	5.8	Nil	Thailand	11.5	5.8	33.3	6.9	4.2	0.06
Finland	24.8	2.7	2.5	0.2	2.8	3.8	Nil	Switzerland	56.1	—	1.9	6.3	3.7	Nil

Note: The exporting countries considered in the trade account for 75 per cent of total world export in aggregate.
The importing countries considered in the table account for 75 per cent of total world export in aggregate.

Note: The exporting countries considered in the table account for 76 per cent of total world exports.
The importing countries considered in the table account for 75 per cent of total world imports.

(US \$ million)								
Major importing countries	Major exporting countries							
	Japan (29.6%) 2659.4	West Germany (14.49%) 1301.8	USA (11.82%) 1061.9	Sweden (5.07%) 455.5	UK (4.83%) 434.2	Belgium & Lux. (4.74%) 426.3	Italy (4.35%) 391.2	India 5.5
Electronic Components								
USA	1176.5	27.9	—	8.6	18.6	1.8	6.9	0.07
UK	177.0	76.5	75.1	37.4	—	5.4	32.4	1.5
West Germany	167.8	—	50.4	4.7	16.5	109.1	89.1	0.3
Canada	128.1	5.1	234.4	5.1	24.5	0.2	0.27	Neg
Netherlands	56.1	172.0	15.5	16.6	18.1	133.0	29.9	0.3
France	13.4	96.0	30.0	2.1	15.4	47.8	29.8	0.04
Belgium & Lux.	55.0	122.6	14.0	1.2	13.1	—	18.0	0.04
Italy	14.9	121.1	30.9	28.1	11.5	8.0	—	0.06
Switzerland	41.8	106.6	15.3	4.1	7.0	22.1	10.5	0.06
Sweden	20.1	50.7	6.7	—	12.6	2.1	9.4	0.02
Hong Kong	60.7	30.8	11.9	0.8	16.9	0.08	0.3	0.02
Brazil	36.0	17.7	65.4	45.1	6.7	4.0	10.0	0.03
Denmark	5.2	23.7	6.0	50.7	15.3	3.2	2.2	Neg
Austria	6.4	67.3	1.7	2.6	5.4	3.4	7.4	Neg
Spain	21.2	15.7	19.0	32.4	10.1	1.0	26.8	Neg

Note: The exporting countries considered in the table account for nearly 75 per cent of the total world exports.
The importing countries considered in the table account for nearly 75 per cent of the total world imports.

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Changing the Constitution

TO INCORPORATE the recommendations of the Swaran Singh panel in this country's Constitution, the Law minister, Mr H.R. Gokhale, introduced the 44th Constitution (Amendment) Bill in the Lok Sabha on September 1. (The text of the bill is given on page 547). It will come up for discussion in Parliament within the next two months. In the meantime, an opportunity has been given to the citizens to express their views freely on the various proposed changes. The government is in no hurry to embody these alterations in the Constitution. It is keen to convince the people that "the proposed amendments to the Constitution are aimed at meeting the developing needs of the people." Consequently, discussions have been held recently between the representatives of the government and the opposition parties to sort out differences on vital issues and to provide elucidations wherever necessary. This is a healthy practice and the government needs to be congratulated for giving the widest possible publicity to the intended changes. May be, some constitutional pundits and legal luminaries will be able to point out certain contradictory elements which might have escaped the attention of the framers of the new amendments.

Already the bill under reference shows the impact of the recent debate on Swaran Singh panel proposals. For instance, it had been suggested by the panel that abjuring communalism should be incorporated as a fundamental duty in the Constitution but in the absence of an agreed definition of "communalism", this recommendation was dropped while drawing up the various clauses of the bill. It was felt that a redescription of the country as "Sovereign Socialist Secular Democratic Republic" will make the mention of communalism as superfluous. However, there is bound to be difference of opinion even on this redesignation of the country. Just as "communalism" is hard to spell out precisely, "socialism" also has no universally accepted definition. And the spectrum of various hues in the banner of socialism is so wide that it can mean all things to all people. Perhaps in the coming weeks, thinking on this point will start crystallising slowly but surely.

There can be no disagreement on the 10 basic duties of a citizen which the bill has laid down. They are all couched in clear-cut language and are intended to inculcate in the individual not only respect and pride for the motherland but also a spirit of sacrifice in the hour of her need. The conflict comes when the directive principles are given precedence over fundamental rights. It is the contention of the government that the fundamental rights enshrined in the Constitution have frustrated all its recent attempts at socio-economic reforms; hence the need to subdue them under the weight of the directive principles.

Certain sections of the bill are indeed praiseworthy and will be widely approved. For instance, one of the amendments seeks to enable the President to proclaim emergency in respect of a part of the country as against the present practice of enveloping the whole country in the blanket emergency powers. Similarly, the emergency can be lifted in certain parts of the country where the danger of disquiet has disappeared. It is indeed an amendment which is highly in the interest of the public. Then there is the provision to provide free legal aid to economically-backward classes, which is surely a welcome measure. Also the provision for the participation of workers in the management of organisations engaged in any industry, though much spade work will be needed before this proposal is implemented.

Again, the disposal of service disputes by administrative tribunals both at the centre and in the states will be widely appreciated. Hitherto, such disputes had caused undue hardship through prolonged court cases. A government servant had hitherto the option to seek the protection of law in case he found that his superiors were unduly unjust to him. Now the tribunals will handle such cases, and it is only to be hoped that they would dole out justice and would not favour or frown upon any one of the parties.

It is not known why the term of the legislatures is proposed to be extended from

five to six years. The Swaran Singh panel has not hinted at it. It seems that the bill would automatically legitimise the life of the present Parliament which had been earlier extended by a year. Otherwise there does not seem to be any great virtue in increasing the life of legislatures from five to six years.

The power of the President is proposed to be limited by a provision which makes him bound by the advice of the council of ministers. It means that in a contingency, he will no longer be able to assume full reins of power and will have to follow the dictate of the cabinet. This amendment is also somewhat intriguing because none of the earlier Presidents were bound down by such limitation.

revised rules

The bill has revised the rules for the review of laws passed by the central or state legislatures by the Supreme Court. For instance, the minimum number of judges for such review has been fixed at seven, and no law would be declared invalid unless two-thirds of the judges concurred. Presumably, this had been done in view of narrow majorities (or minorities) by which certain constitutional issues were recently disposed of by the Supreme Court. According to Mr N.A. Palkhivala, "it means that a law declared and held to be unconstitutional and invalid by a majority (of less than two-thirds) of the Supreme Court or the high court would still be enforced by the executive against the citizens. This is patently destructive of one of the basic features of the Constitution and is violative of the rule of law." Surely, it is a poor attempt at whittling down the power of the majority of judges but let us not forget, it is a double-edged sword. It can also cut the other way round.

According to the Law minister, Mr H.R. Gokhale, Parliament can change the basic structure of the Constitution. In fact, he used the epithets "so-called" and "non-existent" for the basic features of the Constitution. This is indeed a hotly contested issue. The basic structure of the Constitution as it has been understood and interpreted in the past three decades is democratic with emphasis on the dignity of man—his freedom, right to

life and personal liberty, freedom of speech and expression, the freedom to form associations etc. Any amendment which changes the democratic constitution into an autocratic one and saps the very sources from which the citizen has so far

drawn sustenance is certainly against its basic features. Moreover, if one Parliament can distort the Constitution the way it likes, then the next one may reverse the process. In other words, each Parliament would have its own Constitution.

Export prospects in eastern India

MR S. G. Bose Mullick, the union Commerce secretary, told the workshop organised by the Bengal Chamber of Commerce & Industry on August 28, that the government of India had not decided to abandon the idea of setting up new free trade zones but had only postponed it for the time being. He said that the government had taken this decision because the free trade zones in Kandla and Santa Cruz had not produced the expected results. But Prof D.P. Chattopadhyaya, the union Commerce minister, has given the impression that the government has dropped the proposal to set up more free trade zones. Addressing the Bengal National Chamber of Commerce on August 14, Prof. Chattopadhyaya said that the Kandla zone "has proved a flop" and that the zone in Santa Cruz was intended only to help revive the electronics industry from a setback.

uneconomic concept

The Commerce minister explained that the idea of free trade zones came up for consideration when the government was following a restrictive policy in regard to foreign trade. But, recently, the government had decided to liberalise the import of raw materials and capital goods for promoting exports. He added that no country in the world of India's size except Brazil had allowed free trade zones. He said many states other than West Bengal had also applied for permission to set up such zones and that the government could not favour any particular state when experience had shown that this concept had been found to be uneconomic. The minister observed that "once it is a free trade zone, it is a free-for-all".

Whether government has merely post-

poned the proposal to have more free trade zones or has abandoned it, it seems that no such zone is likely to come up at least during the sixth five-year Plan. This will be unfortunate because many state governments have shown enthusiasm for starting these zones.

great disappointment

The West Bengal government had spent nearly two crores of rupees on creating the infrastructure for setting up the zone in the Salt Lake area near Dum Dum. It had also received 17 applications for starting industrial units in this zone. The Trade Development Authority had made out a strong case for establishing a free trade zone not only in Salt Lake but also in Haldia. The union Commerce ministry itself seems to have encouraged the West Bengal government to go ahead with the Salt Lake Scheme. New Delhi's decision therefore has caused a great deal of disappointment to the government of West Bengal and to the business community in the state. The presidents of the Bengal National Chamber, Indian Chamber, and the Bengal Chamber have urged the government of India to reconsider its decision.

The Bengal Chamber's workshop highlighted the importance of the eastern region in India's export trade. Of the top ten export commodities in 1974-75, jute and jute goods accounted for nine per cent, tea seven per cent and iron ore five per cent, and in each of these products, the eastern region had a major share. Engineering items constitute about 11 per cent of the overall exports and the eastern region's share is 16 per cent. The workshop drew attention to several constraints affecting exports from the eastern

region. These were lack of adequate and timely information about export opportunities, uneconomic shipping freight rates, absence of adequate shipping services, large idle capacity in many industries, and technological backwardness of the engineering industries.

The Chamber's background paper said that engineering industries in the eastern region were not quite competitive both in the domestic and international markets, resulting in some units suffering from "chronic unprofitability". The workshop's suggestions included introduction of a scheme of export investment rebate on a selective basis, establishment of an export-import bank, provision of insurance to protect exporters from exchange fluctuations, and simplification of procedures for grants from the Market Development Fund. These suggestions have been made before but even so, the government of India should examine to what extent they can be implemented expeditiously.

low consciousness

The workshop revealed that, compared to units in other regions in the country, the export consciousness among industries in the eastern region was low and that, as a result, the planning for new product innovation for export was in a low key. It was stated that the market information gap was greater in the eastern region and that the role of the Asian Development Bank or the tendering procedures and international practices in bidding were not known to many units. But why is export consciousness in the eastern region so low? Many export promotion councils have been functioning in Calcutta for more than a decade. There are six chambers of commerce in Calcutta, besides a large number of trade and industrial associations. Hardly a month passes without some association or the other in Calcutta organising a seminar, workshop or conference on some aspect relating to export promotion. The Calcutta port accounts for nearly 30 per cent of the country's total exports.

How then is export consciousness in the eastern region said to be lower than in other regions? The Bengal Chamber's workshop suggested that the government

of India should set up a World Trade Centre in Calcutta and that the Trade Development Authority should open a "high-powered office" in Calcutta. Even if these suggestions are implemented, export awareness in the eastern region

seems unlikely to increase in a big way unless the business organisations show more interest and initiative and the state governments concerned also play a more active role in problems relating to export promotion.

Funds and their proper use

THE RESERVE BANK has been reviewing developments in the money market in the past few months and holding also discussions with the government with a view to determining what should be the policy for dispensing credit in the next busy season. The exercises are being carried out even more meticulously than on former occasions, as the recent upward trend in wholesale prices in some directions and the increase in non-food credit seem to have given rise to the impression that the growth in money supply should be controlled and excessive purchasing power should not be allowed to have a disturbing effect on the price structure. The increase in money supply in the current financial year up to August 13 has been 7.7 per cent against 4.6 per cent in the corresponding period of 1975-76, while deposits of the scheduled commercial banks have recorded a phenomenal rise of Rs 1,528 crores in the same period against only Rs 980 crores in 1975-76 on a comparable basis.

new factor

Aggregate credit also jumped up by Rs 864 crores against a decline of Rs 34 crores. Food credit of course accounted for as much as Rs 659 crores out of this expansion and it is said to be responsible for an increase in money supply with the public to a significant extent and accelerated growth in the form of larger notes in circulation. There has, however, been a new factor in the shape of a big rise in deposits and a trade surplus which have also contributed to a bigger rise in money supply.

What is the import of these new developments and have they any sinister significance for the economy? A big inflow of remittances from non-resident Indians and emergence of a trade surplus with a higher level of exports and drop in imports

due to the elimination of unwanted items, are certainly favourable factors for any economy. The exports too have been helpful in reducing accumulated stocks of steel, textiles and other items though it might not have been correct to have permitted exports of oilseeds and cotton, even in limited quantities. Only in respect of procurement operations has there been an inevitable increase in money supply, as instead of transfers of existing funds between one pocket and another when purchases of foodgrains and other commodities take place between traders and individuals, there is an injection of fresh money when procurement purchases are effected.

aggregate increase

The point is whether this addition to money supply has a disturbing effect on the price structure. The answer can be that the grower himself in receipt of money through sales to official agencies has less purchasing power and not more because open market prices have come down. There will of course be larger purchasing power in the aggregate because of a higher level of production of foodgrains and other cash crops. Here again, what is exactly the advantage accruing to the community, as distinct from the agricultural population is a factor which is of importance. It cannot of course be denied that the net addition to purchasing power as a result of higher agricultural and industrial production can be of dimensions which can generate additional demand for goods and services though here again the strength of the additional demand is dependent on the manner of dispersal of additional purchasing power.

As regards the impact of higher remittances from non-resident Indians to dependents in this country, in the system

of illegal compensatory financing black-money was playing an important role. If it can be expected that inward remittances would continue to be at the doubled rate in the immediate future, at least half the remittances will be reflected in increased spending with funds provided by banking system. This will of course mean a displacement of blackmoney to that extent. This is indeed a healthy development though apparently there will be an increase in money supply with no net increase in demand for goods and services, as the regular demand had been sustained by money secured by the dependents from the unauthorised sector. It is therefore difficult to assess precisely the significance of the impact of the recent developments and it cannot be correct to take an alarmist view and adopt contractionists policies.

liquidity ratio

The monetary authorities have been obviously unable to take a definite decision relating to an increase in the statutory liquidity ratio to 35 per cent from 33 per cent as desired in some sections of the government. In view of the need to mobilise additional resources and overcome the shortfall in Plan outlay which may arise in the state sector due to paucity of funds, it was felt that the Reserve Bank should facilitate easy mobilisation of funds with an enhancement of the statutory liquidity ratio by two per cent. The effect of an increase of this order, if decided upon, will be to augment investments in government and approved securities by about Rs 350 crores immediately and by another Rs 50 crores in a year in respect of fresh additions to deposits. The Reserve Bank is apparently not taking any decisions in this regard as it is unclear whether the growth in deposits will continue to be impressive as it has been latterly and a higher liquidity ratio can be adopted without creating difficult conditions for other classes of borrowers.

The situation has perhaps to be closely watched and some important decisions can be taken later in the year in the light of new developments. The immediate move relates to the impounding of the developing excessive liquidity of the banking system by increasing the cash reserve ratio to five per cent from four per cent effective from September 4, 1976. This

procedure will result in the immobilisation of about Rs 160 crores in the form of higher cash balances with the Reserve Bank and the member banks will be paid interest at the rate of 5.5 per cent on the the freshly impounded balance. This move is somewhat unexpected when the central and state governments have yet to complete their borrowing programmes for 1976-77 and many public bodies also have to issue bonds.

It has been generally expected that the Reserve Bank would encourage the raising of larger net amounts through open market loans by the central and state governments before the commencement of next busy season. With the states due to complete the second tranche of their borrowing programmes shortly and the necessity for issuing central loans before the end of October, tightness will be created in the money market and banks may not be in a position to reduce their borrowing from the Reserve Bank. With the prospect of fairly good kharif food crops being harvested and no large outflow of bumper stocks during the lean months, only a contraction in the non-food credit can be helpful in the present context. It is, however, difficult to say whether there will not be any rise under this head in the next few weeks even with a drop in stocks of sugar, steel and fertiliser.

It is necessary to watch closely new developments in the money market as no guidance is provided by happenings in earlier years. A conservative policy may not provide the answer to new conundrums. The raising of the cash reserve ratio is probably an attempt to offset the

expansionary effect of the release of the impounded additional dearness allowances though money flows and prevention of outflows are not concerned with identical sectors.

The Reserve Bank is obviously keen on holding tight the reigns with a view to making appropriate changes in the light of new situations. The cost of lending is increased in the process and higher cash reserve ratios have not been quite effective in the past. It was reduced to five per cent from seven per cent on June 28, 1974, and the statutory liquidity ratio was raised simultaneously by one per cent to 33 per cent. It has remained at this level since then. In December 1974, the cash reserve ratio was reduced to four per cent from five per cent in stages. The rise to five per cent thus comes after one year and eight months. As the increases in money supply have not been undesirable and the growth in deposits is to be welcomed, it will serve the purpose of the monetary authorities if stricter control is maintained on the dispensation of credit and deflationary policies are not conceived mainly on orthodox lines. The Reserve Bank can even think of extending credit to the central and state governments for specific plan schemes and negotiate with them for repayments on a defined basis. In that event the apprehended misapplication of funds even by government agencies can be avoided. Some kind of new thinking is needed as it is imperative to encourage larger outlay and make easy the task of mobilising resources when the stature of the banking system is growing impressively.

Eastern Economist 30 Years Ago

SEP. 13, 1946

In the world of economists there is perhaps no place for imperatives. *Ceteris paribus* and conditional generalisations take a high and honoured rank in their scheme of evaluation. This is not to be surprised at, because the economist's primary pre-occupation is to establish and explain relations, not to prescribe codes and regulations. "Do this or that" and other categorical imperatives are utterly alien to his scientific mind, because he recognises that there are many more things to a course of action than can be inclosed within his agenda. Yet, in recent years the economists have been leaned upon heavily by Governments as guides to current policy and

action; nor have they been unwilling to assume the role and act as mentors. This is largely others the implications of various kinds of action; advice is now acknowledged and recognised to be far less (despite the gibe at them) than that few competent economists are unconscious of the limitations of their knowledge or capacity to advise. Controlled economies which have now taken the place of the 19th century free economies have given inflated values to economic nostrums all the world over.

Two decades of LIC

THE LIFE Insurance Corporation of India can take legitimate pride in the fact that its operations have expanded a great deal since September 1, 1956, when it came into existence following the nationalisation of the life insurance business in the country. The policies in force at the end of 1975-76 numbered approximately 197 lakhs—310.4 per cent more than the nearly 48 lakhs policies in force at the close of 1955. The total business in force on March 31, 1976 at Rs 16,869.11 crores was 1282.7 per cent higher than the Rs 1,220 crores business in force on December 31, 1955. The life fund during this period grew from Rs 364.87 crores to as much as Rs 3,440.97 crores—an increase of 843.1 per cent. The rate of claims settled, similarly, multiplied fast—from Rs 18.81 crores to Rs 165.85 crores, showing an increase of 781.7 per cent. The percentage of claims outstanding to claims intimated has been reduced from the average of 57 per cent before nationalisation to 17.58 per cent, despite a nine-fold increase in the volume of claims intimated. On an average, 1,500 claims are now said to be being settled every day, involving a sum of Rs 55 lakhs. As many as 50 lakhs families are said to have benefited from the payment of death and maturity claims in the last two decades to the tune of over Rs 1,300 crores.

significant fact

A much more significant fact about the underwriting of insurance, however, is that several categories of lives which used to be considered uninsurable are now granted insurance cover, though with some extra premium. The acceptance conditions for the lives of those in hazardous occupations have been liberalised a great deal. A non-medical scheme has been introduced for the benefit of all classes of people. Group insurance is being pursued vigorously to provide insurance cover to large numbers of lives belonging to organised homogeneous groups. Prior to 1956, hardly any group insurance scheme was underwritten. In 1971-72, this business aggregated to Rs 131.17 crores, covering 1.4 lakhs lives.

It grew to Rs 1,342 crores in 1974-75, covering 9.43 lakhs new lives. Last year, the new business under these schemes rose to as high a level as Rs 3,269 crores, covering more than 23 lakhs new lives.

expanded coverage

The categories of lives covered by the group insurance schemes now include not only the three wings of the armed forces and the employees of several state governments, electricity boards and housing co-operative societies but also such weaker sections of society as scavengers of municipal corporations, bidi and tobacco workers, workers in tea plantations, miners, milk producers and cashewnut workers in various parts of the country. Gratuity schemes have been provided to ensure enhanced gratuity benefits in case of death of a worker while in service. Rural business too has been expanded, though only steadily from Rs 182.59 crores covering 5.34 lakhs policies to Rs 464 crores covering 5.74 lakhs policies. The average sum assured per policy has gone up significantly in the case of all plans.

On the investment side as well, the corporation has some plus points to its credit, the most important among them being the increased investments in the socially oriented schemes covering agriculture, electricity, housing, water supply and sewerage, etc. At the end of 1975-76, the socially-oriented investments aggregated to as much as Rs 1,407.32 crores out of the aggregate investments of Rs 3,134.64 crores. The corresponding figures for 1958, when a concerted drive was launched in this direction, were Rs 11.67 crores and Rs 421.49 crores. Currently, nearly 45 per cent of the investments of the corporation are in socially-oriented programmes. The investments in the fields of electricity, housing and water supply and sewerage have multiplied fast particularly in the recent years.

The above data, indeed, is an impressive record of the operations of the corporation as well as the efforts at mobilisation of community resources for investment in schemes of social good. But, correspond-

ingly, the dark spots in its working are not a few.

As mentioned above, the rural business, though it has grown significantly in value, continues to lag far behind expectations in the number of policies issued. The overall percentage of rural business to the total business underwritten too continues to be just around 30 per cent. The reasons put forth for this phenomenon are that among the people who live in villages, a large number are not in a position to go in for insurance and a good number are not favourably inclined to it. Surely, these hurdles can be surmounted if concerted attention is paid to the rural areas through devising a policy particularly suited to the fluctuating incomes of the rural folk. It, indeed, is a matter of regret that none the new plans of insurance designed and introduced by the corporation since nationalisation—mortgage redemption assurance plan, convertible term assurance plan, the retirement annuity policy, the centenary policy, the grihalakshmi policy as well as the three new plans introduced last week, namely, the money back policy, cash and cover policy, and the progressive protection policy—caters for the special requirements of the rural people. Some studies are stated to have been constituted to draw up a special plan for rural areas. It can only be hoped that these studies will be completed expeditiously and a suitable rural policy would be brought forth at an early date.

another dark spot

Another dark spot which needs to be attended to without delay by those at the helms of affairs of the corporation is the high cost of insurance. As the minister for Finance, Mr C. Subramaniam, who addressed the 20th anniversary celebrations of the corporation here last week, observed: "a life insurer is in the position of a trustee for policy-holders and therefore utmost economy in expenses should be his special concern". He pointed out "that prior to nationalisation, despite cut-throat competition for insurance, the two biggest insurers managed with a renewal expense ratio of less than 12 per cent. With the removal of competition and with economies of scale, the LIC was expected to fare better. However, this expectation was not realised and during its second

decade, LIC's renewal expense ratio has risen sharply, almost touching 20 per cent in 1974-75".

The high cost of insurance in the country should also be evident from the fact that notwithstanding a significant increase in the life expectancy of an average Indian, the pleas for reduction in premia by and large have not been acceded to, particularly in regard to with-profit endowment policies. The private insurers reduced their premium rates in 1954 by 5 to 15 per cent. The only reductions effected in the rates by the corporation since nationalisation—after, of course, the first cut of Re 1 per thousand sum assured to those being charged by the most leading insurer in 1956—have been either in regard to without-profit policies or annuities or in the premia for group insurance policies, the gratuity funding plan and the schemes extending accident and extended disability benefits and that too on a modest scale. The premia of with-profit policies have been, by and large, left untouched.

Such policy-holders, no doubt, have been compensated to some extent by increase in bonus, but the bonus rates too have gone up only moderately—from Rs 12.8 per thousand sum assured per annum to Rs 17.60 on participating endowment type policies and 25 per cent more on whole-life policies—taking into consideration not only the increase in the net interest realisation on the mean life fund from 3.52 per cent in 1958 to 6.45 per cent in 1975-76 (notwithstanding the fact that the investments in the socially-oriented schemes yielding less return than several other investments have multiplied fast) but also the erosion in the real value of the rupee as a sequel to inflation. Insurance does not only cover life risk; it also helps in effecting savings.

mounting expenses

The primary cause of the above is the mounting operational expenses of the corporation particularly on account of escalation in the staff cost. Some of the reasons responsible for this, indeed, can be said to be beyond the control of the corporation, especially those emanating from inflationary tendencies in the economy. But there can be no denying the fact that productivity in the corporation has been low and further it has tended to go down over the years because of growth in indiscipline at various

levels till the declaration of emergency last year.

Some improvement must have been witnessed in discipline as well as productivity this year. But Mr Subramaniam's call for fixing adequate work norms for employees and their enforcement with determination needs to be endorsed. The corporation, surely, is not meant only for its staff and for supplementing the developmental efforts of the government. The policy-holder is the king-pin of the whole operation. Unless his interests are also catered for adequately, the disillusionment that may be caused may spell disaster for the insurance business in the country. As the Finance minister stressed in his last week's above-mentioned address, the LIC is for the policy-holders and not the policy-holders for the LIC.

element of competition

With a view to bringing down the cost of operation of the corporation, time appears to have come also for thinking in terms of introducing some element of competition in the life insurance business. This, in the present circumstances, can be done only through reorganising the current monolithic set-up into four or five corporations. The growing unwieldiness of the current set-up due to increase in the scale of operations too warrants thought on the issue. Incidentally, the with-profit-policy-holders can be compensated to some extent by introducing differential bonus rates depending on the terms of the policy. The current practice of the same bonus being applicable to with-profit policies irrespective of their maturity period is inequitable if for no other reasons than for the facts that long-term banking deposits always attract higher interest than the short-term ones and the erosion in the value of long-term policies is more than in those of the short-term policies.

The corporation also has to inject humane considerations into its operations. Apart from the mounting complaints of inconsiderate behaviour at various levels of the corporation's staff before the current emergency, the tendency to adhere strictly to the rules rather than to the spirit behind them caused unnecessary delays and made the operations sometimes very irritating. Some instances of this were pointed out at the last week's

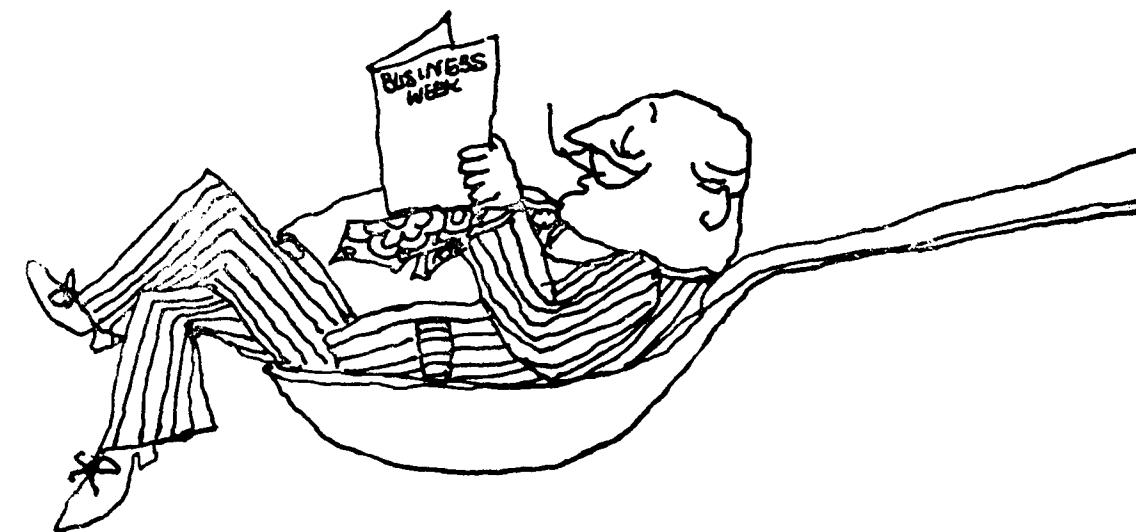
celebrations by none else than a former chairman of the corporation and now minister for Industry, Mr T.A. Pai. These included undue delays caused in the settlement of death claims on account of such factors as after-death inquiries by the corporation into the bona fides of the insurer taking out a cover, which ought to have been done in the very first instance. But even now such instances are not an exception. There are also some archaic rules which need to be modified.

irksome procedures

A pertinent example of this is the insistence by the corporation that witnesses to a loan from it must sign in English and in no other language, including Hindi—that too in a Hindi-speaking state and also when the applications for death claims in the Hindi-speaking areas are to be made only in Hindi. Another instance is the calling for in the case of loans for house building purpose—under the mortgage scheme—affidavits from the sons of a loanee to the fact that the property to be built by the loanee is self-acquired even though such an undertaking might have been given by the loanee himself. In such a case, why then insist only on affidavits from the sons. Why not from the wife and daughters also who under the present inheritance law are co-sharers in the husband's/father's property? Further, where is the guarantee that the children born later would not create complications! Such irritations obviously can be avoided if humane approach is brought to bear upon the operations of the corporation.

Taking of loans for house-buildings, in fact, is a nightmarish experience for not a few. Some time even sureties to the loans are asked to pledge their assets and retirement benefits even though the loanee himself might have provided double or even three times the surety against a loan. The corporation is stated to have streamlined its procedures in this respect. But only time will show whether this will help in raising the proportion of loans to policy-holders for house-building purposes in the over-all investment of the corporation in this national task. The expenditure incurred by a loanee in getting his application for a house-building loan processed by the corporation too needs to be brought down.

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substitution and strengthening of the export production base would have to be kept in view. The liberalisation of import policy, therefore, might be in selected areas and sectors so that it not only contributes to an increase in production and exports but also to productivity and efficient running of the economy. The need for expanding the production base or for planning units exclusively for exports or units the major part of whose output could be earmarked for export, Prof Chattopadhyaya said, arose because of the fact that our net terms of trade during the four years ending 1975-76 had declined by almost 44 per cent.

The chairman of the STC, Mr Vinod Parekh, in his address to this meeting, called for a ten-year plan for sugar exports, as he felt that the long-term prospects of export of this commodity continued to be "excellent", although exports this year may go down substantially from the last year's level of Rs 469 crores owing to shortfall in production. The policy mix-up of sugar exports, he emphasised, should take care of (i) mechanism to cushion both production and price stocks; (ii) programme of increased production, modernisation and standardisation; (iii) review of the system of allocation and quotas for exports; and (iv) organisation of stable long-term and value-added marketing.

sugar exports

In an informal talk with pressmen later, Mr Parekh indicated that exports of sugar this year might go down by Rs 200/250 crores, although a firm assessment in this regard could be made only when the next cane crushing season started and it was known what quantities of sugar would be available for export out of the next season's output. To a substantial extent, however, decreased earnings from these exports, he said, might be made up by higher exports of several other commodities. These included castor oil, coffee, leather, cement, tyres and tubes, ready-made garments, tobacco, rubber, plywood, etc. Between April 1 and August 25, the total exports of STC, he revealed, had amounted to Rs 221 crores, as against Rs 243 crores during the corresponding period last year. But if sugar exports, which had registered a

sharp decline, were excluded, the export earnings from other items during this period aggregated to Rs 145 crores, as against Rs 85 crores last year. The exports of castor oil, coffee, footwear, leather and cement are said to have already yielded Rs 7 crores, Rs 5 crores, Rs 5 crores, Rs 9 crores and Rs 3 crores, respectively, more than last year.

Mr Parekh felt that the prospects of trade with Pakistan were quite promising; even though the quantities of the various items exported might be small, the overall trade could be substantial. A contract has been signed to export to Pakistan tyres and tubes worth Rs 20 lakhs. Another interesting export order received is from the United States—for the export of fireworks worth Rs 4 lakhs. A similar export order from that country is expected to be signed shortly.

With a view to stepping up exports of leather as well as for raising the unit-value of this commodity through processing, the STC is understood to be negotiating with the World Bank a sizeable loan for setting up six leather processing complexes in the country. The current emphasis of the STC is on exports of non-canalised items.

The Projects and Equipment Corporation of India, a subsidiary of the State Trading Corporation, is expected to reach the first important landmark in its operations this year when its total turnover may exceed Rs 50 crores. Last year, the corporation had a turnover of Rs 39.63 crores, comprising Rs 28.59 crores exports and Rs 11.04 crores imports. The export target for the current year has been fixed at Rs 48 crores. The imports, of course, may be much lower than in the last year—just around Rs 2.37 crores.

The corporation threw up last year a profit before tax to the order of Rs 120.6 lakhs, as against Rs 36.2 lakhs in the previous year when its turnover aggregated to Rs 27.41 crores—exports Rs 19.61 crores and imports Rs 7.81 crores. The profit after tax amounted to Rs 36.6 lakhs, as against Rs 13.2 lakhs in the previous year. Much more important than the high target set by the corporation for this year's exports is the streamlining that has been effected in its operations,

A series of administrative and other steps have been taken recently to ensure that not only the offers made for export are competitive but also that once the contracts are secured, they are adequately followed up and no slippages occur in their execution. More and more stress is being laid on the export of sophisticated items and undertaking of turn-key projects, both as prime contractors and sub-contractors. Despite the severe competition faced in the international market, the corporation has been able to establish good reputation as a source of dependable supplies to not only the developing countries but also some of the developed nations.

other export items

Besides railway equipment, which was the primary export activity of the corporation in the initial years, exports have come to be effected of various other engineering products such as garage equipments, hand tools, cutting tools, cycle parts, casting and forgings, steel billets, automotive parts and accessories and power distribution equipment. For the first time, an order was secured by the corporation for the export of diesel electric locomotives to an African country and machine tools to the USSR. The machine tools covered milling machines and radial drilling machines.

With a view to avoiding unhealthy competition between the different exporters of projects and equipment from the country, efforts are being made by the corporation to form consortia with the other engineering concerns in various fields. The corporation has also undertaken collection and dissemination of information regarding specific markets, particularly Yugoslavia, France and the EEC in respect of which it has been recognised as the focal point for collecting information.

The concerted efforts launched recently in the above directions have started yielding results. The orders secured till the middle of last month during the current financial year around Rs 20 crores were four times the orders booked during this period last year. The exports during the first 4½ months of this year have been of the order of Rs 17.25 crores, as against Rs 11 crores during this period last year.

Bankers and borrowers

This is the text of the address by Mr K. R. Puri, Governor, Reserve Bank of India, at a seminar organised by the Delhi Management Association in the capital on September 2, 1976. Mr Puri discussed the problem of bank credit in the context of the national objective of price stability through financial discipline, improved inventory management and inculcation of cost consciousness among entrepreneurs.

THE SUBJECT of the relationship between commercial banks and their borrowing clientele is a difficult one because of the complex and varied issues involved as between different parties and transactions. A banker's relationship with each party is so complex and individualistic that it would be hazardous to generalise except in very broad terms. No doubt till the nationalisation of major banks, this relationship was kept at a simplistic level by the banks generally subserving particular industrial interests and basing their lendings on the strength of asset based security and guarantee and sometimes, on what one may call the bankers' "hunch". Now, under the new banking policy, the lendings are more purpose-oriented and justified after a critical assessment of the credit requirements for productive purposes. Loan appraisals are much more rigorous; end-use of credit is sought to be ensured; and details of book debts, cash-flow and receivables are also sought for and critically examined.

revolutionary change

The nationalisation of banks has created an almost revolutionary change in the framework of banker-borrower relationship with the avowed objective of more purposeful application of scarce resources of the community. It is so more because a heavy social responsibility has been cast on the public financial institutions and the bankers in bringing about a shift in the national asset and income distribution in favour of those in the priority sectors and of weaker sections in the community by earmarking a rising proportion of financial assistance in their favour.

While a complete reorientation of banker-borrower relationship has been emerging in response to new developments, the banking system itself has been undergoing a transformation of immense dimen-

sions. In order to have an assessment of the magnitude of change since nationalisation, it would be desirable to cite a few quantitative data reflecting those changes (see table on page 526).

A more impressive change relates to the deployment of bank funds according to definite socio-economic priorities. There has been a basic restructuring in this respect: geographically in favour of under-developed states; institutionally in favour of units and purposes of public and cooperative sectors; sectorally in favour of agriculture and small business as distinguished from large and medium industries; and size-wise in favour of small and medium-scale borrowers.

In particular, the share of large and medium-scale manufacturing industry in total bank credit of scheduled commercial

POINT OF VIEW

banks declined from 55.7 per cent in March 1968 to 42.8 per cent precisely due to the desired change in credit dispensation in favour of the priority areas and persons of small means. As it is, in absolute terms, credit obtained by the medium and large-scale industries increased over two-fold from Rs 1706 crores in March 1968 to Rs 3857 crores in June 1975 at a time when the index of industrial output increased by not more than 25 per cent. I have brought out this comparison elsewhere but it is worth emphasising again because the obvious implication is that the structural change in credit distri-

K. R. Puri

bution in favour of the designated priority sectors has not been at the cost of the credit needs of the large and medium-scale borrowers; if anything, such borrowers have drawn credit more than proportionate to their output increase in physical terms during the past five to six years.

I have made a reference to all of them with a view to bringing home that an outstanding aspect of the banking development in India during the past seven years or so—which is sure to get reinforced in the coming years—is the emergence of the small borrowers—the persons and sectors of relatively small means from different areas of economic activity—whose interests would occupy a substantial part of bankers' time and efforts. Therefore, in your deliberations on banker-borrower relationships, it would be more useful if you take into account not only the banks' relationship with borrowers in the corporate sector (largely medium and large-scale industries) but also that with the new classes of borrowers which have emerged of late.

no distinct role

I am not for a moment suggesting that the bankers' role with respect to these two broad categories of borrowers are independent and distinct from each other. I see a degree of complementarity in the respective roles of the bankers. Let me amplify. In an essentially asset-based lending system, the large borrowers would obviously possess better creditworthiness and larger borrowing capacity than those who have poorer or no assets. With the limited deposit resources, the bankers' ingenuity and dynamism lie in how best they contain the bank credit demands of the large borrowers within their broad production requirements and simultaneously satisfy the credit urges and aspirations of those who possess, mainly 'creditworthiness of purpose'. What is saved from one thus becomes the source of ready finance for the other. This is the difficult art of credit planning which the bankers would have to cultivate.

What the banks have to bring home to the large borrowers is that prevention of

any excess credit drawings by them is not only in the interest of the national economy, but also has an angle of enlightened self-interest for such borrowers. While a part of such excess borrowings arises from speculative tendencies of the manufacturers and traders, which the Reserve Bank's credit and monetary policies have sought to curb, there is the other part which arises from unscientific inventory management in particular and non-professionalised management generally. The latter have added to the layers of additional costs in the manufacturing industry in the country and these costs have become all-pervasive and irreversible.

An evidence of this is to be seen in the inability on the part of manufacturers of finished products in the recent period to effect cuts in the prices of finished products when the general price level declined. To the extent the credit and monetary policies combined with planned deployment of credit could bring about discipline and rational utilisation of credit, the Reserve Bank has attempted it with a measure of success. A noteworthy benefit of this is reflected in a declining proportion of the corporate sector's inventory being financed by bank credit.

According to the Reserve Bank's studies on company finances, total bank borrowings by the medium and large public limited companies in the private sector had financed about 46 per cent of the total inventories (of raw materials, finished goods and works-in-progress) in 1960-61

and this proportion steadily rose to a peak of 64.7 per cent in 1968-69. With better credit restraint and discipline and also with some increases in cost of bank borrowings, the companies were generally induced to reduce their dependence on bank funds as a result of which the bank borrowings-inventory ratio gradually declined to 51.3 per cent in 1973-74 and to approximately 50.0 per cent in 1974-75. There is scope for further reduction in this proportion of inventory financing by banks.

Keeping this and other objectives of monetary policy in view, the Reserve Bank has found it imperative to continue to pursue the broad stance of its policies with emphasis on credit restraint and discipline on the major users of bank credit. Some marginal adjustments have been made to take cognizance of the specific developments in certain areas and to introduce some degree of flexibility. In administering this flexible policy, the commercial bankers themselves have a role to play, with the active support and cooperation of their borrowers and without waiting for detailed instructions from the monetary authorities. Towards this end, I have appointed two committees essentially of the commercial bankers to suggest ways of remedial action in specific areas. Thus, the committee on penal rates and service charges which has since submitted its report has recommended *inter alia* that penal rates should not be regarded as a revenue raising measure but as an instru-

ment to enforce discipline among the borrowers; and they are to be applied with selectivity and discrimination. The Reserve Bank has accepted its recommendations. Likewise, the committee on transfer of loan accounts, was appointed to suggest as to under what circumstances, loan accounts can be transferred so that neither the banker nor the borrower can misuse it. This report is under consideration.

In order to serve the wider objectives better, it is expected that the banks have to operate at a high level of efficiency and, therefore, a Working Group on Operational Efficiency and Profitability of Banks with comprehensive terms of reference has been appointed. More importantly, the Reserve Bank is making an earnest endeavour to bring about a more meaningful correlation between demand for and supply of credit through the mechanism of more effective credit planning. The bankers and borrowers have to admit that credit planning has come to stay as a permanent way of life so that scarce capital resources are optimally used. The Reserve Bank has enjoined on the banks to prepare quarterly credit budget, based on meaningful discussions with their borrowing constituents and reflecting the latter's business intentions accurately. Also, in the present situation, where industrial sickness is getting reported on a sizeable scale, micro-level credit planning has greater significance. However, this is an area where professional managers have to join hands

with bankers not only in identifying sickness but also in suggesting remedial measures. I would look forward to the participants of this seminar to come out with concrete suggestions on this topical issue.

In the ultimate analysis, a fulsome achievement of the manifold objectives of policies is conditional upon the earnestness with which the bankers and the borrowers establish a working partnership in the common endeavour of achieving national goals of rational distribution of credit, of better inventory management, of better credit and financial discipline and more generally, of relative price stability.

I am beginning to wonder, whether, if such a working partnership had existed, we could not have avoided at least partly the traumatic experience of recent inflation. More specifically, I wonder whether we could not have prevented industrial sickness now coming to the surface on such a sizeable scale. With a sound information system which could throw up warning signals and suggest financial or managerial or technical measures required for remedying the individual situations, the scope for sickness could have been reduced.

society's stake

Here, let me allude to an aspect of the country's economic management. With the public ownership of financial institutions, society has a direct stake in their operational efficiency and it would be improper, if an impression is allowed to gather around that their managerial efficiency has suffered due to their public ownership. Likewise, with sizeable amounts of public funds being made available to the private entrepreneurs either for investment or for working capital, the public sector has a direct stake in the emergence of professionalism in private sector management and thus in improving the operational efficiency of the manufacturing units.

Today, hardly any project gets implemented without substantial funds being provided by the public sector financial institutions. Even for the generality of the corporate sector, debt as percentage of equity, which was less than 20 per cent in the first half of

1960s when growth rate in industrial output was about the highest, has steadily increased to about 40 per cent now. This partly, arises from the gigantic nature of some of the recent projects in the private sector. But this only goes to reinforce the theme that society's stake in private projects has increased manifold in recent years. And a definite impression has gained currency that cost consciousness among many private entrepreneurs has suffered because their private stake in industrial projects is limited.

pivotal role

In this respect, the bankers in particular have a pivotal role to play in inculcating cost consciousness among the major private entrepreneurs. They could achieve this by pressing for better inventory and receivables management, for better cash management, and above all, for a higher degree of professionalism in top management. Even where the top management gets professionalised, the goals of the owners and those of the managers may get divorced from each other. The bankers could help narrow down such differences.

Historically, many business enterprises grew in the country with the backing of the managing agencies, their managerial, financial and techno-economic expertise. The system also had its attendant evils and it had to go. Void, if any, created by the abolition of the managing agency system could be partly filled by the bank manager not by taking direct managerial responsibility of the units financed but by inducing the promoters to induct professional management of appropriate quality and to delegate to it powers for scientific materials and man-power management.

In this sense, the bankers, as agents of change, could trigger off a managerial revolution in the country—a revolution that would throw up a managerial class with a deep sense of social responsibility. Concurrently, this would also induce an entrepreneurial revolution by transforming the business class with trading instincts into a truly entrepreneurial class.

This would, in turn, call for a basic transformation of the cadre of bank managers into a multi-disciplinary cadre with multi-dimensional role as financial advisers, techno-economic consultants, and as those

who identify, promote and nurture potential entrepreneurs in various productive activities. The bank management cadre can play this multi-dimensional role only if it is kept alert and alive to the general trends in the national economy, and also to the trends in the individual industries and sectors. Collection, analysis and dissemination of such data and knowledge to the present and prospective entrepreneurs becomes imperative in their role as agents of change. In this task of building up a sound information system on the general economy, on developments in individual sectors, and also with respect to bulk consumers of credit, the Reserve Bank has been playing a significant role on which the commercial bankers could draw rather liberally.

All of these may appear a bit far-fetched for bank management but when the society's stake is so great both in terms of enormous public funds involved and the imperatives of faster growth in investment, output and employment in an atmosphere of relative price stability, I am unable to conceive of any limited role for the public financial institutions particularly the commercial banks.

a caveat

Let me add a caveat, lest what I have stated so far should give an impression that the financial institutions, primarily the commercial banks, alone have—and are capable of—the responsibility of inducing more scientific management practices in business firms, of inculcating cost consciousness among entrepreneurs, and of helping the weaker sections in their upliftment and that the private entrepreneurs have no stake in any one of these. This is not true. As I have emphasised earlier, what the banks should endeavour to bring home to the entrepreneurs is that the potentialities that exist for the economy to sustain a fairly high growth of productive capacity and employment is harnessed for the general good. This is particularly so when significant policy changes in recent months have favoured the private entrepreneurs so that they could play a wider role in the economic advancement of this nation.

These policy changes imply a trust bestowed on the entrepreneurial

Commercial Banking Since Nationalisation

	June 1969	June 1976
Total number of bank offices of which:	8,262	21,220
Offices in 'rural' centres	1,832	7,687
Rural offices as percentage of total offices	22.4%	36.2%
Number of deposit accounts	18.33 million	55.0 million
(as in March 1969)		(as in December 1975 estimated)
Aggregate deposits	Rs 4,650 crores	Rs 15,600 crores
Aggregate deposits as percentage of national income	15%	Over 25%
Loan accounts	11.27 lakhs	61.79 lakhs
(as in March 1968)		(as in June 1975)
Total amount of bank credit	Rs 3,599 crores	Rs 11,711 crores
(as in March 1968)		(latest)
Credit to priority sectors (Amount)	Rs 505 crores	Rs 2,597 crores
(as in March 1968)		(as in December 1975)
As percentage of total credit	15%	26.6%

class in the country so that it—well-placed as it is as compared with the vast masses of people—helps among others, in the primary objective of employment creation and the removal of poverty from our midst. I have no doubt that they would not fail to respond to the society's trust so bestowed on

them. Viewed in this light, there could hardly be any difference between the entrepreneur's role in the management of their production enterprises as perceived by themselves and that as perceived by their bankers. I am an ardent optimist and I would aim high at such a harmonious banker-borrower relationship.

Before I conclude, let me emphasize that banker-borrower relationship is not merely a bilateral one. It has a wider national angle, viz, one of negotiating and agreeing on the ways by which the scarce resources of the country are deployed in a planned way for the general betterment of the vast masses of the people of India.

Development of tubewell irrigation in India

B. D. Dhawan

The author, who is Reader in the Institute of Economic Growth, Delhi, has attempted an analysis of the reasons for concentration of tubewell irrigation in certain states. Vast farm areas in West Bengal, east Uttar Pradesh and Bihar, according to him, suffer from size disability. On the other hand, farm areas in Punjab, Haryana and western Uttar Pradesh suffering from the same disability are negligible. He has recommended consolidation of holdings in eastern Uttar Pradesh, failing which the option is state-owned tubewells as against the preponderance of privately-owned tubewells in western Uttar Pradesh, Punjab and Haryana.

RECENT DIFFUSION of power pumps in Indian agriculture stands in sharp contrast to the sluggish pace of overall economic development. Of the four million pumps in existence in 1974, about one-fourth were fitted to tubewells, which offers a new concept in tapping groundwater resource. The rest were mostly used as a low-cost substitute for animal/human power on open wells. But, then, the irrigation capacity of a tubewell is far greater than that of a well with a pumpset—a deep tubewell can raise as much as 1000 acre-feet of water per year as compared to about 20 acre-feet that can be at most raised by a pumpset well. It is thus the expansion of tubewells, described sometimes as tubewell 'explosion', that is of great significance and interest.

Development of tubewell irrigation in India has given rise to many interesting questions and issues. Hydrogeologists have drawn attention to the lowering of water table in some pockets where there has been excessive development of tubewell irrigation. Here then arises a new problem in water management, namely, groundwater management. Another formidable problem in management is the poor working of the state-owned tubewells, which has given rise to the question of public versus private tubewells. Then,

there is the question of bringing about conjunctive use of tubewells and canals. Many interesting questions arise in the area of impact of tubewell on agriculture—on crop intensity, on crop mix, on productivity, on farmers' savings and consumption behaviour, etc.

In this article, the focus of enquiry is on the large regional differential in tubewell growth in India. More precisely, it is investigated, (a) why the tubewell explosion has been confined to the wheat belt of north-west India and (b) why the eastern Gangetic plains region, which is known to be endowed with vast groundwater resources, has not witnessed any tubewell spurt so far. (Of course, there are a few pockets in each region that are exception to the overall regional picture.)

Tubewell spurt, which commenced in the mid-sixties, has been occurring within a framework of private ownership. While cooperative ownership of tubewells is negligible, the state-owned tubewells number about 22,000. In point of fact, the share of state-owned tubewells has declined from 50 per cent in 1951 to two per cent in 1975. Notwithstanding the private or individual ownership of tubewells, the state has certainly played a vital role in the establishment of such tubewells. Not only did it launch a massive programme of

rural electrification in the mid-sixties, it reoriented the underlying concept of rural electrification, from one of simple domestic connection to agricultural load. This resulted in sharp reduction in capital and operating expenditure for a prospective tubewell owner. In the absence of electricity a farmer has to go in for a diesel tubewell whose diesel engine requires proper preventive maintenance, without which a diesel tubewell is liable to frequent, and untimely, breakdown. And by encouraging liberal capital finance through institutional sources the state substantially loosened the capital constraint on farmers who want copious, timely, and year-round supplies of water for irrigation.

the turning point

Since both rural electrification and provision of institutional capital finance were stepped up in the mid-sixties, when high-yielding varieties also came on the scene, 1965-66 became the turning point in the history of growth of private tubewells. It was this explosive growth in tubewell irrigation that contributed to over-fulfilment of the minor irrigation target of the ill-fated fourth five-year Plan (1968-69—1973-74), otherwise marked for its story of missed targets.

Though up-to-date statistics are hard to come by these days, it is a common impression among informed circles that tubewell irrigation is concentrated in three areas: Punjab, Haryana and western Uttar Pradesh, which together form a contiguous region, largely spanning the western Gangetic plains and partly covering the Indus basin. (For the sake of convenience in exposition the region is

simply being described as the western Gangetic plains, or sometimes, just western plains region, in order to distinguish it from the eastern Gangetic plains region.)

Of the 105,000 private tubewells reportedly being added annually, UP accounts for about 45,000, Punjab 40,000 and Haryana 5,000 tubewells. Together, these three states account for about 90,000 tubewells, which works out to about 86 per cent of the aggregate annual increment to the stock of private tubewells in the whole country. Back in 1971, for which firm data are readily available, the joint share of these three states was 428,000 (79 per cent) out of the national total of 540,000 tubewells then in existence. Their individual shares were: UP had 255,000 private tubewells; Punjab came next with 123,000 tubewells and Haryana had about 50,000 tubewells. The corresponding comparable figures for West Bengal and Bihar were 25,000 and 17,000 tubewells.

basic requirements

Certain prerequisites, such as the existence of groundwater in the shape of sandy water-bearing strata (aquifers), are to be satisfied for the use of tubewell concept of tapping groundwater. Thus, for technological reasons, tubewells are, more or less, ruled out in the large Deccan plateau; e.g. Maharashtra reported no private tubewell, and just five state tubewells, in 1971. Nor does one expect any significant development of tubewell irrigation in the saline and arid parts of Rajasthan and Gujarat till groundwater recharge improves in these parts as a result of the introduction of 'outside' canal water. The hilly states of eastern and northern India cannot, for obvious reasons, take to groundwater irrigation, not to speak of tubewell irrigation. In the case of Madhya Pradesh, where development of irrigation is hampered by undulating terrain prospects of tubewell irrigation are not bright, except in the lower parts of the Narbada Valley where some good water-bearing strata have been located through recent groundwater exploration work.

UP, Punjab and Haryana have not only the lion's share of tubewells of the

country, they have also reached a stage where tubewell irrigation has become a substantial source of irrigation in their agricultural economies. This can be easily seen from the following data about the relative importance of tubewell irrigation in overall irrigation of various states, as brought out by the Agricultural Census of 1970-71.

State	Tubewell irrigated area as % of total irrigated area
1. Punjab	44.1
2. UP	34.9
3. Haryana	32.3
4. UP-Punjab-Haryana Region	36.8
5. Bihar	12.7
6. Gujarat	5.1
7. Tamil Nadu	1.9
8. Andhra Pradesh	1.5
9. Rajasthan	1.8
10. West Bengal	4.3
11. Orissa	1.6
12. Madhya Pradesh	0.8
13. Other states	1.1
All-India	16.6

Since 'green revolution' is primarily confined to the upper Indo-Gangetic plains regions, one may be tempted to explain the regional differential in tubewell spurt in terms of the regional success achieved with HighYielding Varieties (HYV) seeds. The difficulty in accepting such a neat explanation stems from the fact that astute observers of the Indian agricultural scene have attributed the wheat revolution in the upper Indo-Gangetic plains, among other things, to the tremendous spurt in private tubewell irrigation in this region. In view of this mutually reinforcing character of the two, the problem requires investigation in a wider context with the tool of benefit-cost analysis.

There are innumerable studies on diffusion of agricultural innovations in India that have highlighted the important role played by farm size in their diffusion. It is not our purpose to delineate here the myriad ways in which farm size comes to bear upon the adoption and diffusion of agricultural innovations. Suffice it to say that for lumpy or indivisible investments whose level cannot be reduced

below a certain minimum quantum, a certain proportion of the farmers cannot avail themselves of such investments so long as they cannot surmount their size disability (either by sharing the investment or its output with the farmers in the vicinity). In other words, one can visualize a minimum farm size below which investment in a tubewell is uneconomic in the sense that costs exceed benefits. We now propose to bring out salient factors that have contributed to a pitching of this minimum size of land holding for the eastern Gangetic plains to a level far, far above the corresponding level for the western plains. As a consequence, the proportion of farm acreage suffering from such a size disability in the matter of an individual investment in a tubewell is much, much bigger for the eastern plains than for the western plains. Hence, the emerging differential in tubewell explosion, and, to some extent, in the green revolution between the two regions.

economic farm size

By equating benefits with costs one can easily derive the following algebraic expression for the minimum economic farm size for tubewell of the lowest cost possible at any one point of time with a given state-of-the-arts

$$A = \frac{100 \cdot a}{I(B - r \cdot C - b)}$$

In this expression, the various parameters have the following definitions:

A : Size of operated farm holding of a farmer (acres);

B : 'Net' benefit per gross irrigated acre (Rs);

I : Percentage of holding irrigated by tubewell (%);

C : 'Associated' cost of irrigation (Rs per gross irrigated acre);

r : Short-term rate of interest on working capital;

a ; Unavoidable (fixed) cost of tubewell irrigation per year (Rs);

b : Avoidable (variable) cost of tubewell irrigation per irrigated acre (Rs).

What is noteworthy about the above formulation—which can be reformulated in a variety of ways if one so desires—is the explicit introduction of 'C', the associated cost of irrigation. Though

benefit 'B' from irrigation is net of associated cost 'C', it has not received the necessary notice it deserves in investment decision-making. For, a farmer's ability to realise benefits from an irrigation investment is governed much more by his ability to find funds at reasonable price for his associated costs of irrigation than by his ability to raise capital funds for financing investment in a source of irrigation. Since the items on which associated costs of irrigation are incurred are highly complementary with irrigation input, benefits from irrigation are determined much more by the level a farmer can attain in the application of such inputs than irrigation level *per se*. It is the lack of realisation of such a need for short-term credit for associated cost of irrigation that sometimes attempts to promote minor irrigation with liberal terms for fixed capital finance elicit very poor response from farmers.

salient points

Some salient propositions which flow from the above formulation are discussed below.

1. 'A' is inversely related to 'I', with an elasticity of minus one. And it so happens that an average farmer in the eastern plains cannot attain as high a value for 'I' as his counterpart in the western plains. This comparative situation arises for two reasons. First, the use of irrigation in the eastern plains is required essentially in two seasons, rabi and zaid (summer), while the farmer in the western plains needs it, because of low monsoonal rainfall, also in the third season, namely, kharif. Second, spatial fragmentation of a holding in the east continues to be much more than in the western plains. Because of this fragmentation disability effective farm size in the east in the matter of an indivisible investment like tubewell boils down to the size of the biggest fragment to the farm holding, which is often a small fraction of the overall size of an operated holding.

2. Minimum economic size of holding bears an elastic inverse relationship with benefits 'B' from irrigation, with an absolute value of the elasticity being greater than unity. It implies two things. One, there must have been a steep fall in the minimum economic size of holding for a

tubewell investment with the arrival of HYV seeds, especially wheat whose yield could be stepped up almost four-fold. Two, benefit-cost ratio for a tubewell rose sharply for farmers with holdings above the old (pre-HYV) minimum 'A' in the wake of new HYV seeds. This generation of on-farm surplus, once such farmers took to private tubewell irrigation, became a substantial source for financing many other yield-raising improvements on the farm, thereby reinforcing the forces of agricultural transformation.

Reverting to the regional comparison, one cannot help noticing a wide gap between benefits per acre from irrigation between the two regions, both at the time of onset of 'green revolution' and at present. While I do not see any compulsions of logic why farmers in the east cannot realise benefits from irrigation comparable to those being realised, or realisable, in the western Gangetic plains, the observed disparity can be attributed mainly to two factors. First, the extent and quality of agricultural extension support received by a farmer in the eastern plains has been far below the level which his counterpart has received in the western Gangetic plains. Second, interest rate on short-term credit, that is required to support the necessary expenditure on 'associated' inputs of irrigation, is known to prevail, for a number of well-known causes,

at much higher level in the eastern plains than in the western plains. 3. Minimum farm size 'A' is positively associated with both fixed unavoidable cost 'a' (elasticity = 1) and variable cost 'b'. Cost function for a tubewell is such that both 'b' and 'a' are known to be much higher for diesel tubewells than for electric tubewells. Since rural electrification in the eastern plains has lagged substantially behind the great progress of the western Gangetic plains, farmers in the former region were at a disadvantage in the matter of undertaking investment in tubewell irrigation on their own. Their disadvantage may have been further compounded by not getting as much institutional support for tubewell investment as their brethren got in the western plains.

By taking some typical values of the determining variables for each region, which are set out in the table below, it is proposed to bring out the great hiatus in the proportion to holdings suffering from size disability in the two regions. It may, however, be cautioned here that figures are for illustrative purpose, as I have used values of parameters on the simple judgment of the totality of situation in the two regions. I find that a farmer in the eastern Gangetic plains should have a minimum farm holding of about 14 acres if his investment in tubewell irrigation is to yield a benefit-cost ratio of just one. The

Selected Values of Determining Variables of Minimum Farm Size for Investment in a Private Tubewell

S. No.	Variable	Region	
		Eastern Gangetic Plains	Upper Indo-Gangetic Plains
1.	I (Percentage gross irrigated area)	50	150
	B (Net benefit from irrigation per acre)	Rs 200	Rs 400
	C (Associated cost of irrigation per acre)	Rs 100	Rs 300
	r (Rate of interest on short-term credit)	0.30	0.12
	a (Unavoidable annual cost of tubewell)	Rs 1,000	Rs 600
	b (Avoidable cost of tubewell irrigation per irrigated acre)	Rs 30	Rs 20

corresponding figure for his counterpart in the western Gangetic plains worked out to about one-twelfth of this, namely, 1.2 acres.

On this reckoning, broadly 85 per cent of the farm area in West Bengal, 79 per cent in east UP and 60 per cent in Bihar suffered from size disability in the matter of tubewell irrigation in 1970-71. On the other hand, not more than six per cent of the farm area in western UP, two per cent in Punjab and one per cent in Haryana appeared to suffer from size disability when it came to deciding about investment in a private tubewell.

land reforms

In the agricultural transformation of the eastern Gangetic plains the irrigation factor is not likely to play as critical a role as it has played in the western Gangetic and the upper Indus plains. Because of high and less variable rainfall the impact of irrigation on agriculture is minimal so long as the states in this region do not improve the infrastructural and institutional environment under which an average farmer operates. In the particular context of private tubewells, substantial portion of the farm acreage can benefit from this marvellous source of irrigation provided the states can promote, among other things (e.g. tenancy reforms, enforcement of land ceilings act, etc), the following :

1. Consolidation of holdings.
2. Provision of medium-term as well as short-term farm credit on liberal terms and in requisite amount.
3. Real toning up of agricultural extension service.
4. Rural electrification.

If consolidation of holdings appears to be a formidable task, state-owned tubewells can be installed. For, all public irrigation works have this signal virtue that they can overcome a farmer's size as well as fragmentation disability. Notwithstanding the management problem of public tubewells, they can still play a vital role in rural transformation of this region provided the farmers receive the necessary support in short-term credit facilities and agricultural extension work.

Save with grace

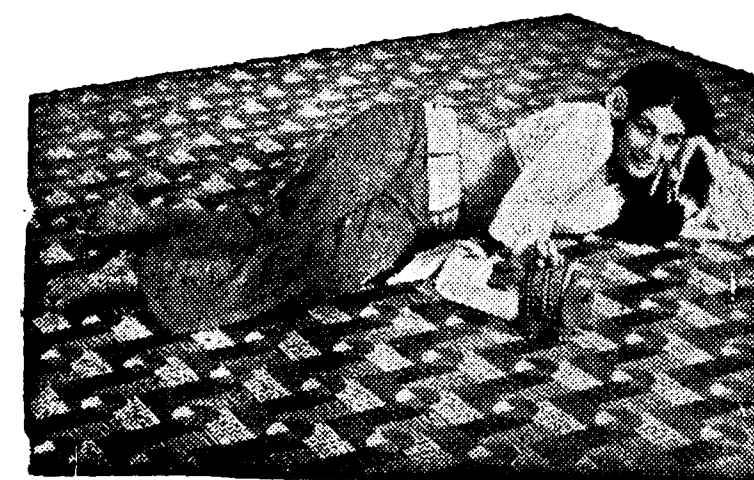
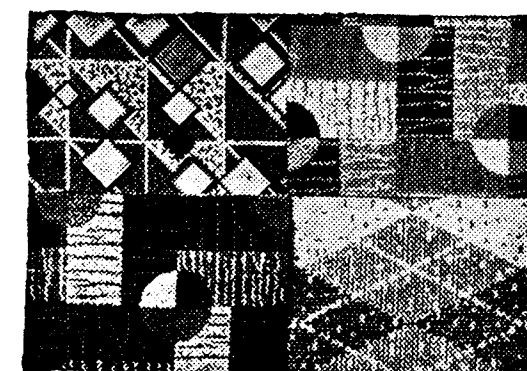
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Weather and its whims

E. B. Brook, Vienna

This despatch points to the vagaries of weather in Europe this year and its likely impact on the world movement of grains. Mr Brook is of the view that the USSR may be obliged to import 10 to 20 million tons of grains this year and that this pattern may prevail till 1980.

THIS YEAR the weather in Europe has been exceptional. Outside here in Vienna it is raining steadily on one of the chilliest days of this generally cool summer: a little central heating would not be out of the way. Farther south, from the Italian Adriatic coast tourists are streaming home disgruntled in heavy rain before the threat of floods becomes a reality. But farther north and north-west there has been little or no rain since late in May. A two-hour flight from Vienna to London takes one from lush green to dry brownness, from chilly days to almost Mediterranean warmth.

The French farmers, always alert to capitalise their misfortunes, have demanded and obtained from an obliging Brus-

has a satisfactory harvest this year, having had sufficient rain in early summer to nourish the growing crops.

In Britain the effects of the longest drought for a century or more are somewhat offset by a significant increase in wheat acreage — an increase of 20 per cent to reach the highest level, at three million acres, of land under wheat since 1878. As a result, the poor yields over a much wider wheat area will probably mean that the grain harvest is the UK will be about as large as last year.

European harvests, though interesting, are relatively insignificant compared with those from the vast areas under grain in

menacing factor in the overall world food supply position than harvest yields, an element in the world food equation which India has long recognised. Other large population areas do not appear to be so sensitively aware of the near impossibility of satisfying ever-increasing demand. A third element in the food equation in the determination of the European Communist countries to satisfy the food requirements of their populations in grain, flour and in meat, which means considerably increased consumption of coarse grains and poor quality edible grains as animal fodder. The volatile situation in Poland this year and recent food price increases in Hungary — offset by higher wages — have convinced all east European governments that food is no matter with which to take the slightest risk and that many other cherished priorities must be sacrificed to ensure political safety through domestically satisfied citizens.

Soviet purchases

The Soviet Union alone will need this year, despite a good harvest, to import once again between 10 and 20 million tons of grain which pattern may extend until 1980. The Soviet Union remains a significant importer, an element which largely accounts for a growth of more than 35 per cent in its foreign trade during the current five-year plan ending in 1980, when it will be host to the Olympic Games. Capital goods imports from west Europe and the USA lead this growth, especially in chemicals and fertilizer manufacturing equipment. Last year alone, the USSR imported more than \$1 billion-worth of chemical equipment. Another \$1 billion is being spent on hotels and hotel equipment in readiness for the 1980 Olympics. Austria has already an almost permanent delegation in Moscow of hotel builders and equipers. Recently, Chancellor Kreisky, when asked to account for the continuing economic prosperity of his small country in a continent beset with problems, replied that heavy concentration on commerce with east Europe and

with the middle east was the explanation. Other west European countries, including Britain, have found the USSR curiously whimsical in trading — intensely interested one year and coldly indifferent the next.

One apparent weakness in the Soviet pattern of trading is its heavy, and profitable, export of energy. One is obliged to wonder if reserves of natural gas are eternal; if heavy export of oil in an economy steadily increasing its industrial consumption of oil for energy may not fairly soon compel the USSR to become an importer of energy sources instead of an exporter. The insistent warnings issued from Moscow to industries in the USSR to economise and reduce their oil and gas requirements suggests that the same thought may have crossed minds in the Kremlin also.

On the anxious currency front, the French franc continues to be the centre

of interest. The French trade deficit rose in July to 1,707 billion francs, compared with a surplus of 833 million francs only twelve months earlier. The franc is now one of the weakest currencies on the continent. Its fall has been accelerating lately, encouraged by persistent rumours of revaluation of the German mark. France left the European currency group oddly known as the "Snake" in March. Since then the franc has lost about 10 per cent in value against the US dollar and even more against the mark and the Swiss franc. It has weakened also against the pound, which has had its own troubles arising from disappointing trade returns. As a result, the "Snake" itself is under attack. The head of the German Federal Bank has called for a more realistic arrangement and Brussels itself has expressed concern.

The "Snake" rumours have harmed the Belgian franc, the Danish and Swedish crowns and even the Netherlands

guilder, causing rises in Bank Rates. Denmark has been obliged in the last few weeks to take unusually stiff measures to aid its economy, with significantly increased retail prices, higher import duties on luxuries and some food, higher taxes and commitments to prevent wage and other income increases. With a prospect of these stringent measures stretching into 1978 or further, the measures have led to strikes and many protests.

Once the West German and the US elections are out of the way in October and November and the world has rested for the year-end 1977 is likely to see some basic resettlements in economic arrangements in west Europe. If the elections return men in whom their publics have confidence for stability the changes will probably seek to effect more realistic purposes and methods in some institutions which have become over the years entrusted with precedents and a risky tendency to move too slowly to keep up with facts.

Growth outlook for the world economy

Christian Lutz

The world economy is under way again. The "limits to growth" decried by many in the recent recession have been forgotten. Forgotten, too, the zero growth idyll seized upon by idealists bent on making a virtue of necessity.

IT DOESN'T take much for public opinion to gravitate from one extreme to the other: just as it was wrong to view the recession as the end of economic growth, it would be equally misguided to overlook that the elements responsible for the slowdown in growth are still operative. The fact that it took only a relatively modest revival of demand to produce a rapid increase in output is not all that surprising, given the high margin of capacity left idle by the severest slump since the war. But this is no indication that the long-term growth potential of the industrialised nations is not going to remain subdued. It will be subdued within altogether tolerable limits. The slowdown in potential GDP growth in the west will probably amount to less than one per cent.

Modest though this figure may appear in

comparison with zero growth, it still represents a relative decrease in the region of 20 per cent. It shows that the change, while not dramatic, is nonetheless a long-term, fundamental one. Let us look at some of the underlying processes, taking as our reference the table (p. 535) which projects the mean annual growth rate for a series of countries over the next ten years, assuming there is no basic change in economic orientation.

It is apparent from the list that the highly industrialised economies generally do not grow as fast as some of the less developed ones. Norway is an exception in northern Europe, but only because of its oil. Few less industrialised economies actually expand at the rate commonly associated with developing countries. Leading the field are the oil-producers such as Iran, Libya and Saudi Arabia but there

are also nations that have taken other paths to rapid economic development. Examples of "take-off" countries that do not rely on oil are Brazil and Mexico in Latin America, Kenya in Africa, and Singapore and South Korea in Asia. It is difficult to draw the line between what constitutes a highly industrialised economy and what not. Some eastern bloc countries can, for instance, be classed with the "take-off" group. So can south European economies such as those of Greece and Portugal. Japan, on the other hand, although it boasts a similar sort of growth rate, plainly belongs to the highly industrialised category.

In addition to these countries, which have reached or crossed the threshold of the industrial era, there is another group belonging to what we might call the "Fourth World", i.e. nations that have not yet graduated from a subsistence economy. Of the cases considered here, Ethiopia is perhaps the most typical. Other developing countries are prevented from exploiting their growth potential owing to social

WINDOW ON THE WORLD

sels a higher price for milk; the north-west European grain harvests, mostly insufficient for home needs, will be sparse. The Common Market has forecast that the western European grain harvests will be the lowest for six years. The decline in yield may be somewhat set off by an increase over last year's acreage planted of about 3.5 per cent. The Germans expect a grain yield decline from last year of some three million tons and French crops of both wheat and barley are significantly below last year's figures. There are anxieties over hay supplies and a prospective fodder shortage for cattle, but these can always be made up by imports from the more fortunate east Europe which, generally,

the USA and Canada, in Australia, China and the Argentina. Prospects in the USA and Canada are encouraging, both producers projecting percentage increases over last year's harvests of between five and eight per cent, which means many millions of tons. The Australians expect a decrease of about two million tons compared with last year. The Argentina expects to be up to a normal yield but the Chinese may be looking to Australia once again to make up an adequate supply for their home markets.

The overall prospect appears to be no more than averagely serious despite the north-west European drought. Population increases will probably constitute a more

factors. India is a case in point. So is Zaire, which in spite of its Katanga copper is well down the growth table in Africa. A further factor is that in precisely those countries where development policy is most deficient, population growth frequently consumes the bulk of any increase in production. Typical examples are Zaire and Ghana, which, for the moment at least, cannot look forward to much improvement in their over-all standards of living. The same is true to a lesser extent for Ethiopia and India. It is countries like these that have experienced the worst balance of payments difficulties, that rely most heavily on development aid and are consequently reduced to living a precarious hand-to-mouth existence.

Whilst it is certainly the case that growth rates are tending to diminish the further industrial countries develop and the scarcer certain production factors become, making it profitable to relocate an increasing number of production processes in developing countries, the statistics show that this phenomenon has so far affected only a small part of the world and is making slow headway in global terms. Far more important, for the moment, is what is happening within the industrial countries themselves. After all, they still account for the lion's share of world production, which means that even relatively low growth rates signify a very much greater increase in absolute economic volume.

annual growth

Taking GNP as a basis, the annual growth of 3.9 per cent in the USA corresponds to an absolute increase in output of Sfr 2,463,000 million. Japan is the only other country able to match this performance. Western Europe, taken as a whole, also comes somewhere near it. However, its two most economically potent nations, France and Germany, can expect annual production growth amounting to only a fifth of America's. But this is still twice as much as Brazil, Mexico and Iran—the biggest and most dynamic of the developing countries. Using the same yardstick, Canada belongs to this latter growth category and so, in spite of everything, do Italy, the United Kingdom and Spain.

The overwhelming future potential of the USA is all the more impressive since it

already has one of the most highly developed economies in the world. If we allow for the fact that North America must be viewed as the stablest region in the world in domestic, foreign and defence policy terms, while western Europe is exposed to growing economic and political fragmentation and a threat from the east, if we add the argument that the devaluation of the dollar has placed the United State cost-wise in a relatively favourable position internationally, and if we finally bear in mind the fears that increasing US withdrawal into isolationism could result in growing protectionism, then the present trend towards switching production resources from Europe to North America is not surprising. Even if the repercussions of this shift on the growth rate are only visible in the second figure behind the decimal point, it is arguably more significant for the moment in absolute terms than what occurs in the context of the so-called North-South question.

greater shifts

Still greater shifts are in the offing within western Europe itself. We have only to look at the annual economic growth prospects for Germany and France compared with those of the United Kingdom, which used to occupy third place, or at how rapidly Switzerland, which probably has the world's highest GNP per capita at current exchange rates but, correspondingly, the lowest growth expectations, is being overhauled by her EFTA partners.

But perhaps the most dramatic structural changes are those taking place beyond the ambit of national statistics, i.e. within the individual countries themselves. There is no need to take an extreme case like Italy with its "mezzogiorno", or underdeveloped south, that has never really been integrated into the economy. It is enough to look at a stable country like Switzerland. Of all European nations, Switzerland suffered the biggest drop in employment and production during the recession and was the last—with the possible exception of the United Kingdom—to connect with the upswing when it emerged. Why? Because the recession was compounded by serious structural problems. A break in demographic growth forced a contraction in the

construction industry which went beyond the mere adjustment of inflated demand. Other sectors of the economy found themselves having to adapt brusquely to the long-term prospect of a less dynamic labour supply following much tighter controls on the admission of foreign workers. On top of this, the watch industry had to cope with a technical development that arrived on the scene much quicker than many manufacturers had expected. Finally, the export industry had to come to terms, all too suddenly, with the fact that the hitherto artificially low franc rate was now in tune with the market.

a prime example

Switzerland is, then, a prime example of the fact that the only viable long-term answer to restructuring pressures is the greatest possible entrepreneurial flexibility. And if, in spite of everything, the Swiss economy is still doing well, it is precisely because this lesson has always been taken to heart. Our export industry not only concentrates geographically on markets with the best future potential but, more important still, on having an optimum export structure in product terms. With wage costs high at current exchange rates (although they are matched by equivalent quality of labour), this means specialization on goods with a high technology input. The bulk of our exports consequently consist of sophisticated services, highly specialized capital goods and top-quality consumer luxuries, all with one thing in common—a low price elasticity of demand.

The fact that some of these goods are relatively sensitive cyclically is offset to some extent by the geographical risk distribution. An indication that the Swiss export industry is sticking to its maxim of technological sophistication is the fact that, over the past ten years, the value per ton of exported goods has been between seven and ten times higher than per imported ton. Even compared with imports from West Germany, the figure is still three to five times higher. As a result, Switzerland's terms of trade have steadily improved since the war, with only a brief interruption following the oil crisis. Why so much emphasis on Switzerland? Not just because it happens to be

our own country, but also because it currently enjoys what is probably the highest standard of living in the world—which for industrialists is synonymous with the dearest labour—and is consequently a proving ground for the sort of problems confronting the highly developed countries of the west. It also serves to illustrate that the structural changes which are an inevitable part of worldwide growth can be of benefit to all parties: those whose high standards of living are obliging them to seek more profitable sites for their production facilities (and accept slower growth as a consequence), and those who act as host to these facilities and are able to hasten along their own economic development in the process.

Growth Trends up to 1985

Country	Average annual growth rate		Increase in economic volume in Sfr: 1000 m.		Country	Average annual growth rate		Increase in economic volume in Sfr: 1000 m.	
	Population	GNP per capita (standard of living)				Population	GNP per capita (standard of living)		
France	0.8	3.6	4.4	533	Colombia	3.2	2.0	5.3	28
Netherlands	0.7	3.7	4.4	129	Peru	3.2	1.6	4.9	24
Ireland	1.0	3.0	4.0	12	Argentina	1.3	2.8	4.1	75
Italy	0.6	3.4	4.0	256					
Belgium	0.3	3.3	3.6	75	Iran	3.0	7.0	10.2	219
Denmark	0.5	3.0	3.5	43	Saudi Arabia	3.1	6.0	9.3	52
West Germany	-0.1	3.2	3.1	490	Egypt	2.2	1.3	3.5	9
United Kingdom	0.4	2.2	2.6	197					
					Libya	3.5	6.0	9.7	43
Norway	0.9	6.0	7.0	78	Algeria	3.4	4.0	7.5	34
Portugal	0.6	5.0	5.6	34	Kenya	3.5	3.6	7.2	10
Austria	0.4	3.8	4.2	56	Rhodesia	3.5	3.0	6.6	—
Finland	0.3	3.8	4.1	34	Tanzania	2.8	3.0	5.9	6
Sweden	0.4	3.1	3.5	80	Tunisia	2.8	3.0	5.9	9
Switzerland	0.2	2.2	2.4	43	South Africa	2.6	2.8	5.5	79
					Morocco	3.3	2.0	5.4	15
Greece	0.6	5.5	6.1	59	Ghana	2.9	0.7	3.6	4
Spain	0.9	5.0	5.9	199	Ethiopia	2.0	1.2	3.2	4
Yugoslavia	1.0	4.8	5.8	58	Zaire	2.5	0.5	3.0	3
Turkey	2.5	2.3	4.9	45					
					Singapore	2.0	6.0	8.1	21
Romania	0.8	6.0	6.8	Data not comparable	South Korea	2.1	5.0	7.2	52
Poland	1.0	4.8	5.8		Japan	1.2	5.5	6.8	2132
USSR	1.0	4.5	5.5		Malaysia	2.8	3.0	5.9	22
Czechoslovakia	0.7	3.5	4.2		Hong Kong	2.2	3.5	5.8	—
East Germany	-0.2	4.4	4.2		Indonesia	2.7	2.0	4.8	38
					India	2.2	1.3	3.5	108
Canada	1.2	3.5	4.7	290					
USA	0.9	3.0	3.9	2463	Australia	1.6	3.2	4.9	156
					New Zealand	1.6	2.5	4.1	25
Brazil	2.7	4.5	7.3	285	Sources : Compiled by Frieder Walz, Economics Department, SBC. Courtesy: Prospects, a publication of Swiss Bank Corporation				
Mexico	3.4	3.2	6.7	191					
Venezuela	3.0	2.3	5.4	46					

TRADE WINDS

Three New LIC Policies

WHILE PRESIDING over a recent function on the occasion of the twentieth anniversary celebrations of Life Insurance Corporation of India (LIC), the union Finance minister, Mr C. Subramaniam, announced that the LIC was introducing three new life insurance policies incorporating unique features and benefits hitherto not available to the public.

Money-Back Policy assures periodic lump sum payments before maturity and payment of balance sum assured with bonuses on the date of maturity, duration of the policy is either 12 or 15 years. In the 12 year term, periodic payment amounting to 20 per cent of sum assured is payable to the policyholder at the end of the fourth year and another 20 per cent on the eighth year and balance sum assured (60 per cent) with accrued bonuses are payable on maturity i.e. on completion of the twelfth year.

Should death occur at any time during the period of 12 years, full sum assured with accrued bonuses are payable irrespective of whether instalment payments have been made or not under the policy. In the case of a 15 year policy, instalments are due at the end of the fifth and tenth year and balance on completion of the fifteenth year. The percentage of lump sum periodic payments in this policy will be 25 per cent of the sum assured. These two plans

supplement LIC's existing Anticipated Endowment Assurance Plans.

The Cash and Cover Policy lays down that half of the sum assured is paid over the selected term in equal instalments every five years. Sum assured less the amount already paid in instalments is payable to the family on the death of the policy-holder within the term. On his survival to the end of the term, premiums cease and half of the sum assured is payable on death thereafter. The plan is available for terms of 20 or 25 years.

The Progressive Protection Policy provides progressively increasing cover. The plan envisages that the sum assured automatically increases by 50 per cent of original sum assured at the end of fifth and by another 50 per cent at the end of tenth year. Though the premium amount payable by the assured also increases, no medical examination or other proof of health would be called for from the policy-holder. The automatic increase in sum assured will take care of the policyholder's increased needs over a period of time while increase in the premium rates will be met by the rising income of the assured.

1976 Loans Become Repayable

The outstanding balance of the 2½ per cent loan 1976 is repayable at par on September 16, 1976 and no interest will accrue thereon from that day. To facilitate repayment on the due date, holders of the loan may

tender their securities at the public debt offices, treasuries or branches of State Bank of India and its subsidiary banks (at which they are encased or registered for payment of interest) on or after September 6, 1976. Full details of the procedure for receiving the discharge value of the securities may be obtained from any of the paying offices.

IFCI to Issue Bonds

The Industrial Finance Corporation of India has decided to augment its resources by a fresh issue of bonds for Rs 29.50 crores. The six per cent bonds 1986, third series, are fully guaranteed by the central government as to repayment of principal and payment of interest, and are approved securities under the Indian Trusts Act, the Insurance Act and the Banking Regulation Act. The bonds will have a maturity of 10 years and will carry interest at six per cent per annum. The issue price will be Rs 99 for every Rs 100 of the bonds applied for. 4½ per cent IFCI bonds 1976 due for redemption on September 15, 1976 will be accented at par for conversion into the new issue.

The subscription list will open on September 13, 1976 and will close on September 16, 1976 or earlier as soon as the issue is fully subscribed. The bonds are eligible securities for the purposes of advances to scheduled banks by the Reserve Bank of India under Section 17 (4) (a) of the Reserve Bank of India Act and are also included in the list of approved securities of the State Bank of India. These should, therefore, prove to be an attractive investment to institutional investors as also the general public. Since the repayment of

principal and payments of interest on the bonds is fully guaranteed by the central government, these are also eligible securities in which both exempted and non-exempted provident funds and trusts, etc., can invest.

The corporation has already issued 21 series of bonds since 1952 for an aggregate amount of Rs 174.68 crores, out of which, the amount outstanding is Rs 146.44 crores. The Corporation, which was established under the IFC Act, 1948, has, during the last 28 years sanctioned assistance to industry all over the country in a variety of ways. The total assistance sanctioned upto June 30, 1976 was of the order of Rs 558.80 crores to 794 industrial projects covering a large variety of industries. The total assistance disbursed amounted to Rs 485.41 crores.

Coal for Thermal Stations

The union minister for Energy, Mr. K.C. Pant, has appointed a three-man committee to study in detail the problem concerning supply of coal of the specified quality and quantity, its transportation to the thermal power stations, losses in transit and other connected matters and to make recommendations for an overall improvement. This question was discussed at the chairmen of state electricity boards' conference held recently. Mr. K.P. Taimni, member, Central Electricity Authority and ex-officio additional secretary of the ministry of Energy, will be the chairman of the committee. Mr. K.S. Banerjee, director of Rail Movement, Eastern Railway, and Mr. S. Chattopadhyaya, director in the department of Coal, will be the other two members. Coal India Limited, state elec-

tricity boards and other interests will be consulted and suitably associated with the work of the committee. The committee has been asked to submit its report within three months. It will examine the entire question of weighment, despatch, transportation and payments in respect of supply of coal for thermal power stations taking into account both qualitative and quantitative aspects. The committee will also suggest the measures which may be adopted to avoid under-loading of coal, to accurately determine the quantities received by the thermal power stations, to reduce the incidence of transit losses and to fix responsibility for such losses.

Stable Prices of Consumer Goods

A meeting of the representatives of industry and trade was held recently under the chairmanship of Syed Mir Qasim, union minister of Civil Supplies and Cooperation to discuss measures for maintaining price stability and ensuring easy availability of essential commodities and items of mass consumption, especially during the forthcoming festival season. The meeting was attended by Mr A.C. George, minister of state for Civil Supplies and Cooperation, senior officials of the ministries of Civil Supplies and Cooperation, Food and Commerce, the State Trading Corporation and Food Corporation of India, leading apex level cooperatives and important representatives of trade, commerce and industry, e.g., FICCI, Associated Chamber of Commerce, Indian Sugar Mills Association, Indian Cotton Mills Federation, Vanaspati Manufacturers Association etc.

After detailed discussions, the following conclusions were

reached: (i) With regard to prices of levy free sugar, it was noted that, on the part of government, two major decisions had already been taken to maintain these prices at a reasonable level. The first decision was to the effect that the tariff value of sugar for purpose of excise duty would not be enhanced and the second decision was that in the month of September, the total releases of sugar in the market (both levy and non-levy) would be 330 000 tonnes. The representatives of the industry indicated their willingness to observe voluntarily price restraint in the matter of ex-factory prices.

Voluntary Restraint

As regards the Indian Sugar Mills Association, the Association had already announced that the factories in the private sector would not charge ex-mill sugar prices beyond a ceiling of Rs 335 per quintal. The representatives of the cooperative sector sugar industry which accounts for nearly half of the national production, indicated their willingness to charge not more than Rs 330 per quintal as ex-factory prices (exclusive of excise duty). Taking all these measures into account, it was agreed that the retail price of levy free sugar to the consumer, in different parts of the country, should be Rs 4.98 per kg or less. It was also agreed that an intimation to this effect would be given to the state civil supplies authorities who would take action to ensure that the distributive trade operates within this price discipline.

Textile Prices

With regard to availability of controlled cloth, for the forthcoming festival season, it was observed that the normal production level of the industry is now placed at 22000 bales per

month. The Indian Cotton Mills Federation agreed to advise the mills to endeavour to produce a larger quantity of controlled cloth for meeting the demand in the festival season and the credit for this additional production would be given to the mills by the Textile Commissioner in the subsequent quarters.

With regard to prices of non-controlled textiles, it was noted that the price stamping scheme had come in operation only recently. It was also observed that a study of distribution margins in the textile trade has been entrusted to the National Council of Applied Economic Research. It was decided that this matter should be reviewed after the report of the NCAER is available.

Vegetable Oil

With regard to vanaspati, the representatives of the industry agreed to ensure that the normal pattern of production is maintained so that adequate quantity of bulk-packed vanaspati is available for retail sale. It was also agreed that the vanaspati units would supply information to government authorities with regard to quantity of their production issued by them to the whoie-

salers and retailers so that the government authorities can monitor the movement of availability of such production.

With regard to price of vanaspati, it was noted that the vanaspati industry had already agreed to charge an ex-factory price not exceeding Rs 118 per tin of 16.5 kgs. It was however observed that the reduced ex-factory price was not adequately reflected in the retail prices. The industry accordingly agreed to supply to government authorities the effective retail prices in respect of major consuming centres. It was also decided that the industry would intimate to government authorities the ex-factory prices in respect of small-supply packs corresponding to the price of Rs 118 for 16.5 kg tins.

Tariff Value on Woollen Fabrics

The government has decided to revise upwards the current tariff value for processed woollen fabrics produced by factories other than composite mills and falling under Item 21 of the Central Excise Tariff. Simultaneously effective rates of duty payable on fabrics processed by independent processors have also been revised up-

Viking-II

Viking-II landed on Mars on September 4, 1976 in the valley called "Utopia" within six weeks of the touchdown of Viking-I. Viking-II will be looking for confirmation of signals sent back by Viking-I that microscopic form of life may exist in the sticky, red soil of Mars. The first two photographs sent back by Viking-II show a desert terrain similar to the landing site of the earlier probe. The photographs were very clear, showing that the first camera on the module was working well. Over the next few days, Viking-II will continue to take photographs of the area around the site. Viking-II also began investigating the rocky slopes for signs of marsquakes. Scientists had been concerned about Viking-II's seismometer, both because the craft apparently landed quite hard and because the quake-measuring instrument aboard Viking-II could never be uncaged after the landing. But Viking-II has already sent word that its seismometer was functional and quite clearly operating as expected.

wards. Processed woollen fabrics produced by factories other than composite mills, are assessed to central excise duty on the basis of tariff values fixed by the central government. Such fabrics, if processed by independent processors, are eligible to pay duty at lower rates as compared to that payable on the fabrics processed in composite mills. The tariff values fixed for the processed woollen fabrics produced by factories have been the subject matter of review and the same have now been revised upwards from August 30, 1976, in view of the increase in the market prices thereof. As a result of the upward revision of tariff values, it has also been felt necessary to rationalise the effective rates of duty payable on the fabrics processed by independent processors. There will, however, be no change in the effective rates of duty on fabrics manufactured and processed by composite mills. The revised tariff values and the rates of basic excise duty and additional excise duty have been notified and are effective from August 30, 1976.

BHEL Contract from IFFCO

A contract for the design, supply, erection and commissioning, on turn-key basis, of three 125 MT/hr steam generation plants was signed recently between the Indian Farmers' Fertiliser Cooperative Limited (IFFCO) and the Bharat Heavy Electricals Limited (BHEL), one of the major public sector undertakings under the ministry of Industry. The value of the order is Rs 18.94 crores. The three generation units are scheduled to be commissioned within a period of 28 months. Excepting inland freight, the payment to the BHEL would be

made in foreign exchange to the extent the project is financed by the International Bank for Reconstruction and Development.

Improved Kerosene Stove

A new non-pressure wick stove with 10 to 15 per cent better thermal efficiency than even the pressure stoves and cooking gas burners available in the market, has been developed by the Research and Development Centre (RDC) of the Indian Oil Corporation. The improved wick stove which was sponsored by ministry of Petroleum, would lead to reduced kerosene consumption and could save the country ultimately about Rs 30 crores a year by eliminating imports.

Canadian Contract for Kudremukh

The Canadian firm, Met-Chem Consultants Limited has been appointed as Mining Associate and Engineering Constructor for the Kudremukh Iron Ore Company Limited. Met-Chem is a fully owned subsidiary of US Steel Corporation. Met-Chem will be responsible for planning, design, engineering, procurement services, project management, supervision and operation of the plant during the first three years of production under the overall control of KIOCL. In the execution of the project Met-Chem will utilise the services of indigenous design, engineering and construction and manufacturing agencies to the maximum extent possible. The project is expected to be completed in 40 months from September 1, 1976 onwards. The first consignment of iron ore concentrate to Iran is expected to be shipped in September, 1980. India is to

supply 7.5 million tonnes of iron ore concentrates per year to Iran for a period of 20 years according to the agreement signed between the Steel Authority of India and the Imperial Government of Iran. Iran has agreed to give a credit of 630 million US dollars for implementing the project. Of this first instalment of 100 million dollars has already been received.

Export of Woollen Carpets

Of the estimated volume of world trade in hand-knotted oriental carpets at Rs 400 crores, India's share is about 10 per cent. In 1975-76 the country's export value of woollen carpets including namdas, rugs and druggets has been estimated at Rs 40 crores as compared to Rs 36.1 crores in 1974-75, Rs 26.4 crores in 1973-74 and Rs 21.4 crores in 1972-73. About 90 per cent of India's total production of the carpets is exported and the destination is mainly to developed market economies. Of the total export of handicraft items from India, the share of woollen carpets is around 39 per cent (1974-75). The two leading buyers of Indian carpets have been the Federal Republic of Germany and the USA. In 1974-75, they bought worth Rs 13.23 crores and Rs 11.33 crores. Next in importance were Canada, the UK, Belgium and Luxembourg, Sweden, Australia, Switzerland, the USSR, Netherlands, Denmark, and France in that order in the same year.

The government has taken several export promotional measures to boost the carpet exports. Carpets have been recognised as non-traditional items of export for the purpose of accorded recognition to the

exporting firm as an eligible export house and for issuing to it blanket permit of foreign exchange. The export of hand-knotted washable woollen carpets (manufactured with wool pile having upto 150,000 knots per sq metre) is subjected to compulsory pre-shipment inspection. Facilities, such as, import replenishment against carpet exports have also been introduced. With a view to expanding the production base for carpets, several carpet weaving training centres have been set up in different parts of the country and a detailed plan to train 30,000 weavers by 1978-79 is under implementation. An institute for carpet technology is also expected to be set up shortly. Centres for development of blanket industry in Jammu and Kashmir and Himachal Pradesh are proposed to be set up. These incentive packages available to exporters are expected to sustain the trend of export growth of exports from this country.

Exchange for Input Imports

As part of a new strategy to increase production and promote exports, Rs 400 crores worth of additional foreign exchange has been allocated for the import of raw materials and other essential industrial inputs. Orders for the large-scale import of these industrial raw materials are being placed immediately and it is expected that most of these imports would become available within the next two months. In fact, large consignments of items like polyester fibre, cotton and plastic resins are already on way. The liberalised import policy has become possible mainly as a result of the improved foreign exchange position.

At a recent high-level review

of the economy it was found that while, on one hand, large industrial capacities were idle for want of raw materials, on the other, there was increasing overseas demand for these very items.

Capacity Utilisation

It is felt that it would be necessary to make optimum use of unutilised capacities to check inflationary pressures and if, for any temporary reason, there is any short-fall in demand, the increased part of production should be used for exports. The items facing a temporary shortfall in domestic demand and having maximum export potential have been identified and the benefit of liberalised import policy will be given to such items on a priority basis.

Names in the News

Mr A.S. Ruia has taken over the presidency of the Indian Sugar Mills Association. Mr P.K. Kanoria was elected as the vice-president of the association.

Mr Kan D. Mariwalla has taken over as the new chairman and managing director of the National Industrial Development Corporation, a public sector undertaking under the ministry of Industry. Mr. Mariwalla is an eminent consultant engineer and has an experience of over 25 years in design, consultancy, construction and manufacturing fields in India and abroad. He was worked as an expert adviser for the UNDP, the UNIDO, the ESCAP, the OECD, the ADB and other international agencies for the development of engineering services and R & D activities in many developing countries.

Readers' Roundtable

Educated unemployed

Sir, I am referring to Mr K. K. G. Nambiar's article, "Unemployment Among the Educated — Why?" in the *Eastern Economist* dated August 13, 1976. Mr Nambiar holds the system of education obtaining in India responsible for the unemployment among the educated. He calls the educational system colonial. (Though I do not hold a brief for the present system I do not know what he precisely means by this. On the same analogy there can be a fascist system of education, an imperial system of education, a capitalist system of education and so on and so forth.) If he has any alternative plan of education, let him adumbrate it; so far we have had only criticisms.

What the Radhakrishnan and Kothari commissions could not do, it seems to me, Mr Nambiar can do. Let him start from the school. Let him redraft the school syllabi. There are the kinds of so-called experts at unemployment among the educated. First, those who know economics but not education. Second, those who are the educationists but do not know the dismal science. Unless a person knows both, his diagnosis and treatment will be of no use.

Employment is the function of dynamism of an economy. It applies to all types of employment whether wages of self, educated or uneducated, skilled or unskilled. If the economy is dynamic it will provide employment to all those who want it. If, however, it is static it will provide only as many jobs over a period of time as fall vacant by death or retirement. On the one hand we have a dynamic population growing at the rate of nearly

to type fast and accurately is not education. Ladies and gentlemen are educated but dogs and horses are trained.

Let there be technical training but only after the minds have been sharpened.

August 24, 1976 R.K. Bajpai
Principal,
Bikram College of Commerce,
Patiala

K.K.G. Nambiar writes:

I am thankful to Mr Bajpai for commenting on my article. The issues involved are fairly complex permitting of no easy generalisation. The contradiction in Mr Bajpai's comment reflects this point. For, despite his sarcastic questioning of my basic contention that our education system continues to be colonial, he could not help concluding that "our educational system is a carbon copy of Oxford and Cambridge." This was exactly my complaint too and the ills of our education as analysed by me originate from it.

No one could question Mr Bajpai's general observation on education that "education means sharpening the mind". But the question in poor societies is after sharpening what? Ultimately this sharpening must lead to ways and means of satisfying human wants, needs and expectations. Can we rest content with a society where minds are sharp but stomachs are empty and backs are bare? In an industrial society, the objectives of education should be to help one to "sharpen" the mind and simultaneously to attain a tolerable living standard. An education system that fails to achieve this goal can hardly boast of serving the best interest of society. Otherwise, education becomes both obsolete and purposeless. But those closely connected with education like Mr Bajpai appear to feel differently. This is unfortunate.

COMPANY AFFAIRS

Syndicate Bank

SYNDICATE BANK has reported all-round improvement in its performance during the year ended December 31, 1975. Deposits during the year recorded a smart rise to Rs 536.60 crores, registering an increase of Rs 110.54 crores or 25.9 per cent over 1974. The deposit growth rate during the year compares favourably with the growth rate of 16.4 per cent of the banking system as a whole.

The bank continued to be in the forefront in the mobilisation of small savings. The savings bank deposits rose by Rs 24.22 crores to Rs 132.24 crores during 1975. The deposits collected under Adarsh and Pigmy deposit schemes, specially designed to suit small man, amounted to Rs 28.97 crores during the year. The total deposits under the schemes increased from Rs 33.66 crores to Rs 39.17 crores, recording an increase of Rs 5.51 crores or 16 per cent.

Credit Growth

The bank's credit during the year went up to Rs 381.09 crores, an increase of Rs 99.72 crores or 35.4 per cent over 1974. The deployment of credit continued to be directed towards priority sectors and public sector undertakings. During the year under review the bank opened 67 new branches, raising the total number of branches to 778. At the end of 1975, fifteen extension counters were also opened,

carrying the total to 41. Of the 67 branches, 30 were in rural areas, 11 in semi-urban areas, 11 in urban centres and 15 in metropolitan/port town centres. The bank had, at the end of 1975, 524 branches (67 per cent of the total) in rural and semi-urban areas. The bank has opened recently its first overseas branch at London.

The net profit earned by the bank during the year was a shade higher at Rs 1.55 crores as against Rs 1.52 crores in 1974. A sum of Rs 0.45 crore was appropriated to reserve fund and Rs 0.86 crore to contingencies. The balance of Rs 24.72 lakhs was transferred to the central government.

Kalasa Tea

Kalasa Tea and Produce Company Ltd has earned a higher profit of Rs 5.84 lakhs during the year ended March 31, 1976 as against Rs 4.40 lakhs in 1974-75. The profit has been arrived at after providing Rs 1.58 lakhs for depreciation as compared to Rs 1.26 lakhs in 1974-75 and Rs 7.80 lakhs for taxation as against Rs 5.40 lakhs in the preceding year. After adding Rs 17,154 brought forward from the previous year, the total disposable supplies amounted to Rs 6.02 lakhs. Out of this, Rs 3.00 lakhs was transferred to general reserve and Rs 33,000 to development allowance reserve, leaving a balance of Rs 2.69 lakhs. The directors have recommended a dividend of 16 per cent which will absorb Rs 2.56 lakhs. The remaining

amount of Rs 0.13 lakh has been left unappropriated. With the capitalization of reserves and issue of 200,000 bonus shares during the year the paid-up capital of the company has been increased to Rs 16.00 lakhs.

Morarjee Goculdas

Despite adverse factors Morarjee Goculdas Spinning & Weaving Co Ltd, has reported considerable improvements in sales and profits during the year ended June 30, 1976. Sales during the year mounted to Rs 27.91 crores from Rs 25.34 crores in 1974-75 while gross profit was higher Rs at 222.63 lakhs as compared to Rs 201.45 lakhs in the preceding year. After adjustments the disposable surplus amounted to Rs 226.53 lakhs. Out of this, a sum of Rs 64.56 lakhs was appropriated to depreciation reserve, Rs 116.28 lakhs to general reserve, Rs 3.50 lakhs to investment allowance reserve, Rs 36.00 lakhs for taxation and Rs 6.19 lakhs for gratuity. The directors have recommended a dividend of Rs 20 on equity shares of Rs 100 each. It will amount to about Rs 37.38 lakhs. Besides the directors have recommended an issue of 93,437 new equity shares as bonus shares in the proportion of one bonus share for two existing equity shares.

Cimmco

The Central India Machinery Manufacturing Co. Ltd. has returned to the dividend list after lapse of a year. The board of directors have recommended an equity dividend of eight per cent for the year ended March 31, 1976 which is the same as was paid for in 1973-74. The arrears of preference dividend for the year 1974-75 have also been cleared.

During the year, the revenue

from sales advanced from Rs 16.67 crores to Rs 17.23 crores while gross profit too improved to Rs 32.85 lakhs from Rs 22.64 lakhs in 1974-75. Out of the gross profit the directors have allocated Rs 23.50 lakhs to depreciation reserve, Rs 32.50 lakhs to general reserve, Rs 15.50 lakhs to dividend reserve and Rs 34.11 lakhs as provision for gratuity written back. The balance of Rs 0.11 lakh has been carried forward.

The textile division of the company has reported satisfactory working results during the year under review, in spite of the continued crisis in the textile industry. Research and development work to improve the present models of automatic loom, winding and warping machines is continuing. New models of heavy canvas looms, pick-at-will non-automatic looms and full automatic drop box looms are under plant trials and are expected to be introduced in the market by the end of this year.

New Products

Keeping in view the demand for sophisticated machinery, the Company has decided to manufacture 'DORNIER' Shuttleless Loom in collaboration with Messrs Lindauer Dornier Gesellschaft, West Germany. Necessary agreement with 'DORNIER' has been signed and submitted to the government for final approval. Negotiations for the manufacture of automatic high-speed cone winding machines, for which the government of India has issued the letter of intent, are also in progress. This division has received the 1974-75 Export Award of the Textile Machinery Manufacturers Association for its out-

standing performance in export of weaving textile machinery.

The results of the shuttle division continue to be satisfactory. The result of the steel foundry for the first half of the year were quite satisfactory, but in the latter part of the year, due to drastic cut in wagon procurement by the Railway Board, reduction in the planned expenditure in most of the government and semi-government plants and the recessionary trends in the market, forced industries to cut down their requirement of steel castings. Consequently, there was a shortage of orders and whatever orders were booked were of low realisation. The outlook for the current year for this division is uncertain. However, efforts are being made to find new areas of diversified products and towards this end this division has developed some of the steel castings required for heavy engineering, heavy electricals, steel plants etc.

The performance of the wagon and structural division was far better than previous year due to better productivity economics and economics in scale of operation.

This division has completely executed the order of wagons for Malaysia. The company is continuing its efforts to book more orders for exports to Nigeria, Poland and Yugoslavia.

Calico

Although the turnover of Ahmedabad Manufacturing and Calico Printing Company Ltd, has gone up to Rs 70.18 crores during the year ended March 31, 1976 from Rs 69.75 crores in 1974-75, the gross profit has declined steeply from Rs 7.03 crores to Rs 3.97 crores. The directors have recommended a dividend of

Rs 19 per equity share of Rs 125 each. It will absorb Rs 1.16 lakhs and will be paid out of the surplus on profit and loss account.

The polymer plant recommenced production in February 1976. The fibre marketed by the company under the brand name 'Ilacron' has been well received.

The central government has announced the scheme of 25 per cent excise rebate for excess production in respect of such commodities as calcium carbide, caustic soda, chlorine, synthetic resins and plastic materials and these concessions are expected to provide some relief to the company.

In accordance with the scheme of amalgamation of the Bank of India Ltd with the company, the holders of eight per cent convertible bonds of Rs 100 each have exercised the right of conversion of their 104,580 bonds into fully paid ordinary shares of Rs 125 each. The directors have extended the date for surrender of the share certificates of the Bank of India Ltd to December 31, 1976.

STC

Despite decline in commodity prices in world markets, the State Trading Corporation has emerged as the single largest exporter in the country, with growth rate of 36 per cent. As against Rs 558 crores in 1974-75, STC's export turnover in 1975-76 amounted to Rs 760 crores, contributing to almost one-fifth of the country's total export trade. The import turnover dropped to Rs 217 crores from Rs 232 crores in 1974-75. This was due to lower international prices and more judicious buying by the STC and increased indigenous availability. STC's total turnover (including domestic) was significantly higher at Rs 981

crores as compared to Rs 794 crores in 1974-75.

Notwithstanding the record growth in export turnover the profit before tax fell by Rs 4 crores to Rs 15 crores. It is significant to note that exports of certain commodities were sustained by STC by undertaking trading losses while selling prices of many imported materials were reduced. Sugar, the single largest item of export was handled on normal commission basis and profits were to the account of government. The ratio of overhead costs to sales, however, improved further during the year.

Development Fund

Out of the profits of the year, a further sum of Rs 3 crores was transferred to the Export Development Fund. The total sum available under the fund will amount to Rs 6 crores.

The directors have recommended a dividend of 15 per cent as compared with 12 per cent of last year. Of the issued capital of Rs 10 crores, total

dividend payable will amount to Rs 1.5 crores.

News and Notes

The first project in the country for manufacture of stainless steel capillary tubes is now under construction in Ahmedabad. Gujarat Industrial Investment Corporation Ltd. (GIIC) has sanctioned total assistance of Rs 1.64 million for the project which will generate investment of over Rs 7.5 million. At present the entire requirement of the country for stainless steel capillary tubes is being imported and the proposed new project will facilitate production of hypodermic needles, quality pens while rendering easier supplies of such material to the manufacturers of scientific instruments, electrical and electronic items, besides the research institutions, power plants etc. The likely export market is also under detailed study.

The directors of Motor Industries Co have declared a one-for-two bonus issue against the earlier proposal of issuing one-for-four bonus shares. For

6 percent Uttar Pradesh State Development Loan 1986

Second Issue

Issue Price Rs. 99.00 per cent.

Opens for Subscription on 15.9.1976

The Loan will be closed as soon as total amount of approximately Rs. 26.25 crores has been subscribed and in any case not later than the close of business on 18th September, 1976.

The Loan will be Utilised Towards the Development Programme of Uttar Pradesh.

The loan applications will be received at:

1. Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna.
2. State Bank of Bikaner & Jaipur at Jaipur.
3. Branches of the State Bank of India within the State of Uttar Pradesh except at Kanpur.

All are requested to Subscribe Generously to this New Loan. Application forms and full particulars can be obtained at any of the above receiving office.

the revised bonus issue proposal, a sum of Rs 4.22 crores will be capitalised from the general reserve.

Mr H. Holck-Larsen and Mr Shambhu Mitra received the 1976 Magsaysay Award from Mr Enrique M. Fernando, Acting Chief Justice of the Supreme Court of Philippines in Manila on August 31, 1976. The Magsaysay Awards, Asia's version of Nobel Prize, are given annually to five outstanding individuals or institutions in Asia in memory of the late Philippine President, who died in an aeroplane accident 19 years ago.

Mr Holck-Larsen, chairman, Larsen & Toubro Limited, has been given the award for international understanding, in recognition of his "signal contribution towards India's technical modernisation, complementing industrialisation with compassionate human concern."

New Issues

The Agricultural Refinance and Development Corporation (ARDC) has decided to raise its paid-up share capital from Rs 25 crores to Rs 35 crores by issue of additional shares of Rs 10 crores (10,000 shares of Rs 10,000 each) to the eligible institutions. The shares are guaranteed by the central government as to repayment of principal and payment of a minimum guaranteed dividend of 6.25 per cent per annum. The issue will remain on tap from September 6 to October 5, 1976 (both days inclusive).

Out of the issue, the Reserve Bank will subscribe for 5,000 shares, while the state co-operative land development banks and state cooperative banks together will subscribe for 2,500 shares, the balance of 2,500 shares being subscribed for by scheduled commercial banks, rural banks, LIC, and

insurance and investment companies.

The issue of additional shares is proposed in the context of the need of strengthening the share capital base of the corporation in line with the increased lending activities in diversified fields. The corporation has disbursed refinance totalling Rs 594.29 crores upto the end of June 1976; disbursement during the year 1976-77 is expected to be about Rs 200 crores.

Capital and Bonus Issues

Consent has been granted to eight companies to raise capital of over Rs 31.29 million. According to an official release. The details are as follows:

Detergents India Limited, Nellore (AP) has communicated to the government of its proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969 for Rs 8.60 million divided into 860,000 equity shares of Rs 10 each (inclusive of the capital of Rs 2.66 million already raised) for cash at par. The proceeds of the issue are to be utilised to meet a part of the project to be set up in Cuddapah district (AP).

US Vitamin and Pharmaceutical Corporation (India) Limited, has been accorded consent valid for three months, to capitalise Rs 2,683,200 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of eight bonus shares for each equity share held.

Vardhman Spg. and General Mills Limited, has been accorded consent valid for six months, to capitalise Rs 4,394,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as

bonus shares in the ratio of one bonus share for every two equity shares held.

Navrang Dyeing Private Limited, Bombay, has been accorded consent, valid for six months, to capitalise Rs 300,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

IA and IC Pvt Limited, Bombay, has been accorded consent, valid for six months, to capitalise Rs 500,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for each equity share held.

Ceat Tyres of India Limited, has been accorded consent, valid for six months, to capitalise Rs 5,566,000 out of its general reserve and issue fully paid equity shares of Rs 100

each as bonus shares in the ratio of one bonus share for every seven equity shares held.

German Remedies Ltd, Bombay, has been accorded consent, valid for six months, to capitalise Rs 4.25 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Sundaram Finance Limited, has been accorded consent, valid for six months, to capitalise Rs 5 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every two equity shares held.

The application for the issue of bonus shares of Rs 10,00,500 made by **Indoceanic Shipping Co Pvt Limited,** has been rejected by the central government.

Dividend

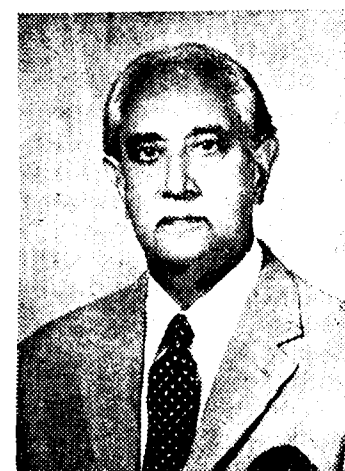
Name of the company	Year ended	(Per cent)	
		Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Transformers & Electricals	March 31, '76	12.0	6.0
Sri Ramakrishan Steel Industries	March 31, '76	15.0	12.0
Central India Machinery	March 31, '76	8.0	Nil
Same Dividend			
National Tobacco	Dec. 31, '75	Nil	Nil
Gourepore Co.	Dec. 31, '75	Nil	Nil
United Breweries	March 31, '76	7.5	7.5
Kailas Rubber	February 29, '76	12.0	12.0
Mysore Paper Mills	March 31, '76	10.0	10.0
Reduced Dividend			
Bowreah Cotton Mills	Dec. 31, '75	2.5	10.0
South India Shipping Corpn.	March 31, '76	20.0	40.0
Malankara Rubber	March 31, '76	25.0	30.0

COMPANY MEETINGS

Stewarts and Lloyds of India Limited

Chairman's Statement

YOUR COMPANY achieved some very encouraging results during the twelve months under review, having improved significantly on its performance during the previous year. These results are all the more gratifying because they were achieved during a period when Industry, as a whole, and the Engineering Industry in particular, was in the grip of a serious depression. This is a good augury and can be interpreted as offering positive encouragement in regard to the future of your company.



Shri S. L. Dass

I referred in my report last year to the Management's efforts at moving towards greater sophistication in both our production and construction activities while, at the same time, keeping a close watch on the ever changing

market conditions which protected the Company's long term interests and totally avoided high risk business opportunities. It can be stated that the good results achieved in 1975 are a spin-off of these efforts. The sales turnover of Rs 7.80 crores for the year represents an increase of 22 per cent over the previous year, while profit before taxation amounting to Rs 48.54 lakhs was substantially higher than last year's figure of Rs 35.08 lakhs.

I am glad to say that the serious liquidity problem faced by the Company to which I referred in my report last year was successfully overcome, but unfortunately several of our major clients continued to suffer from it, thus preventing them from proceeding with the execution of projects already cleared from the drawing board. This, coupled with the general recessionary conditions prevailing throughout the Country, resulted in a drop in order bookings during the second half of the year and, but for this, the company's results might have been even better. Inflation, though admirably controlled by the Government, affected some of the Company's costs, particularly in the case of consumables such as gas, electrodes

and oil. There were increases in wages as well, but the total wage bill was contained through a planned reduction in our field erection forces.

At the Annual General Meeting last year I had stated that the question of making a Bonus Issue this year would be seriously considered. You will, therefore, be glad to see from the Directors' Report that the issue of bonus shares has been recommended.

I am happy to report that our labour relations continue to remain healthy and despite the problems faced by Industry arising from inter-union rivalries, the relative peace enjoyed in our main plants at Calcutta is a measure of the sound understanding that exists between labour and management.

Although 1976 is likely to be a more difficult year, our confidence, which stems from two successive years of positive progress, leads us to believe that with the efforts being made in all major key result areas, we should not only hold on to the gains already achieved, but improve upon them. We continue, of course, to depend very much upon Government's overall development plans and fiscal and economic policies for revival of industrial activity which, going by

recent trends, are positive and encouraging.

I am sure that you will wish to join me and my colleagues on the Board in extending to all members of the Company's management, staff and workers, our congratulations and a very warm word of appreciation for the sincere and dedicated work put in by them which has contributed to these heartening results.

Sd/-

S.L. Dass

Dated, Calcutta 17th July, 1976. Chairman

(N.B. This does not purport to be the proceedings of the Annual General Meeting held on 20th August, 1976.)

NOTICE

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LTD.

(Incorporated in England)

7½% Debenture Stock 1980

Interest for the half year ending 14th October 1976

Notice is hereby given that Interest at the rate of Rs. 38.75 P. (less Indian Income Tax) per Rs. 1,000/- of Stock will be paid on 15th October, 1976 to Debenture Stockholders registered in the Books of the Company on 2nd October, 1976. Applications for transfers received at the Company's Office at Victoria House, Post Box 304, Chowringhee Square, Calcutta, upto 2nd October, 1976 will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above Interest.

Debenture Stock Transfer Book will be closed from 3rd October, 1976 to 14th October, 1976, both days inclusive.

By order of the Board

S. K. NIYOGI

Secretary

Victoria House
Calcutta 700 091
26th August, 1976.

The Britannia Biscuit Company Limited

The healthier the Company, the greater an asset it is to the national economy.

Extracts from the speech delivered by Mr. K. Julian Scott, Chairman, at the Annual General Meeting of The Britannia Biscuit Company Limited held at Calcutta on Friday, 3rd September, 1976.

The Company has had an exciting and a successful year. Sales, exports and profits were all at the highest level in the history of the Company. Our performance in 1975/76 again establishes the soundness and the strength of Britannia in terms of financial management and competence in organisational and business strategies. Sales at Rs. 38.87 crores have improved by 18.6% and earnings have risen by 20.9% to Rs. 1.18 crores compared to last year. The increase in earnings per share is up from Rs. 3.67 in 1974/75 to Rs. 4.43 in 1975/76. Exports at Rs 2.51 crores are up 222%.

The year has not been without hazards, but in the light of improving circumstances, the difficulties have tended to get resolved more easily.

We have moved beyond the era when some people harboured the belief that an ineffective Government would leave them totally free to pursue their private interests. During the early part of 1975, many observers were disillusioned by the repeated failure of innovative public programmes to achieve their goals. Very often, what appeared to be bold and excellent ideas did not produce the promised results after they were enacted.

It is in this context that we

should take stock of the role of the Emergency in our national affairs. It restored discipline when discipline had almost disappeared and at times authority was disrespected. It gave a sense of national purpose and direction, when the nation was drifting. It controlled inflation, when according to the International Monetary Fund, consumer prices in most countries rose by over 12% whilst India showed a decrease of 5.6%. All this has created confidence in the Government's ability to cope with the problems of the day.

It is because the right conditions were created by the Emergency that we have been able to carry out our commercial operations successfully. This serves to highlight how dependent commercial activity is on the environment created by political stability, labour discipline and effective Government.

It is customary to measure the success of a commercial enterprise by the profit it earns. Other factors also reflect success, but without profits there can be no success, no growth and no survival. It is heartening to know that there is now a greater public understanding of the role of profits in a commercial enterprise. The Government itself has started ap-

plying increasingly this test of success to those of the national public sector enterprises which are purely commercial in character. In Britannia we believe that the healthier the Company, the greater an asset it is to the national economy.

The concept that the main purpose of commercial effort is directed towards enriching a few owners, is outmoded in today's world. First of all, increasingly, the management of companies is passing into the hands of professional managers, who have to possess a balanced sense of responsibility to the shareholders, employees, customers and the development of the business on an enduring basis. Secondly, ownership is being enlarged in public companies to include many small investors who seek a fair return on their capital and an appreciation in value for their savings.

For over half a century, we have combined tradition with up-to-date methods, thereby preserving the virtue of tradition without losing out on the advantages of modernity. Today the modern public company is an organisation based on the partnership of participating groups with each group sharing in the benefits of the enterprise.

We welcome the Governmental action designed to encourage consumerism in the country. The consumer must be protected from adulterated products and false and misleading product claims. He must be made aware that the goods

and services provided by the corporate sector are for his benefit. He must also know that he is the final judge to decide whether or not an enterprise will be successful, since his decision to buy or not to buy determines the success or failure of the enterprise.

We are convinced that our success, especially in the year under review, when conditions have been difficult for the industry as a whole, is our reward for the confidence that the consumer has in the quality of Britannia products.

Unfortunately, there is a great deal of ignorance about the part played by private enterprise and business profits in the growth and prosperity of the country. The corporate sector must try to explain itself to its employees and the community and bring about a growing awareness that manufacturing industry provides much of the wealth on which society exists.

A subject which is close to all of us and which is attracting national attention is the social responsibility of the corporate sector. I believe that if a business does not fit the public image of what a business should be, then in the long run, business freedom will be restricted. I am convinced that corporations which understand this concept will continue to prosper as they bend, sway, move and shift their operations to shape up to the challenges of ever-changing conditions.

We in Britannia have always been conscious of our social obligations and our members have this sense deeply ingrained in them. We have, however, very strong feelings about exploiting this activity for propaganda value. We feel that if this is done, it warps the sincere motivation behind such activity and it leads to choosing areas of work with the greatest publicity potential. We do not believe in charity for the sake of charity, but in helping people to help themselves and this is the central theme for our social activity.

I think, however, that the

time has come when the social activity of the corporate sector needs to be mobilised on a nationally organised basis. I believe that organised in a systematic manner, it can be a force and an instrument for improving social conditions. The changing economic and social conditions have created problems of massive poverty and the corporate sector, with its resources and management talent, can assist the Government to solve many of the problems which exist today.

I believe that a National Board with representatives of Industry and Government should be set up to draft a national plan to identify areas where humanitarian work is likely to produce the best results. I consider this approach could be very effective and would ensure performance where the need is greatest and being a co-operative effort it should lead to the activities of Government organisations and individual corporations being complementary and supplementary rather than competitive.

Sales & Marketing

Our sales turnover has increased in spite of a downward revision in prices after July 1975. Our success is earned by our response to the needs and desires of our customers and consumers.

On the whole, apart from drought conditions in Tamil Nadu in the earlier part of the year, market conditions have been generally favourable. The difficult money situation has affected members of the trade, resulting in lower stock-holdings and reduced credit trading. Looking ahead, the market is showing signs of revival and prospects for next year appear to be encouraging.

In marketing, we have to deal with conditions as they are, not as we would like them to be. Complaints on this score gain nothing, and it is our job to deal with the realities of life, the uncertainties and the facts.

This is the first year we have handled our selling operations without the assistance of Selling Agents. Our perform-

ance has been successful and I should like to express our appreciation of the effort put in by our young and new selling team. I have no doubt that this team will prove to be a valuable asset in the years that lie ahead. I should also like to express my gratitude to our customers, who so generously co-operated with us in making the total selling operation a success.

The market for consumer goods has seen a number of changes during the year and some of these will have a lasting impact on future operations. The Government initiated several moves designed to protect the consumer, which also benefit the manufacturer. The Packaged Commodities Order prevents the trade from over-charging the consumer and by indicating the age of stocks it enables the consumption of products in fresh condition. Both these results are objectives of any good system of distribution. I believe that all manufacturers should support the Government's efforts to create a spirit of consumerism because, ultimately, stable and healthy market conditions can be created only through consumer confidence.

Our marketing policy is oriented towards selecting and fulfilling consumer needs and responding as accurately as possible to the requirements of all markets. The Company welcomes competition based on sound practices as this makes all of us more efficient. We are opposed, however, to short-time and erratic trading strategies which are against the interests of consumers and detrimental to the industry as a whole.

Finance

In the commercial sector the first requirement for survival is profit and our earnings this year reveal the strength of our operations. One of the factors contributing to our increased earnings is the improvement in operating efficiencies and our cost reduction programmes. The better performance of the Seafoods Division during the year under review has also been responsible for our

improved earnings and whilst prospects appear good, this business is subject to seasonal variations and fluctuating fortunes.

The issued and subscribed capital of the company increased to Rs 4,51,68,400 in 1976 following the allotment of 18,59,239 fully paid ordinary shares of Rs 10 each as capital bonus in the proportion of seven ordinary shares for every ten shares held.

I am pleased to report that the Directors are recommending the payment of a dividend of Rs 54,18,354 out of the profits. This represents 12 per cent on ordinary shares as increased by the bonus issue. The Directors are also recommending a dividend of Rs 1,607 on preference shares, which represents 10.40 per cent.

Prices of ingredients and materials continued to rise during the first quarter of the year and it was only following the Emergency that prices stabilised at a lower level. On our part, we continue to persevere with our cost reduction programme, though there is obviously a limit to the economies that can be made with affecting quality and services. As in the past, belts will remain tightened and costs held in check to the extent feasible.

Production

In the early part of the year, production activity was under considerable strain on two fronts, namely, shortage and inconsistent quality of raw materials and unstable commodity market conditions.

Power continues to be a constraint in production operations and we have been successful in making adequate and timely arrangements by installing additional power generators at Delhi, Bombay and Calcutta.

Plant modifications initiated last year utilise alternative fuels on baking ovens will be completed by the middle of 1976. Technological improvement and better production methods have enabled us to increase productivity.

Decontrol of vanaspati prices

during the year resulting in its increased production was a step in the right direction. However, we are still concerned about the statutory use of 10 per cent soft oils, as this reduces the shelf life of biscuits. Our representation regarding the use of soft oils and the restriction on the utilisation of groundnut oil to a maximum of 25 per cent in bakery fats is under consideration of the Government.

Research and Development

Basic research is the increase in knowledge through the constant study of a particular phenomenon. Applied research is the practical translation of such knowledge into fields such as industry and agriculture. Basic research works towards new insights, applied research towards specific needs economise on or improve the use of resources. Development represents the steps taken to evolve a process or product to finalisation between research and actual commercial production.

In Britannia, we lay considerable stress on the activities of our Research & Development Division being result-oriented, in the shape of better techniques, best utilisation of resources and materials and the creation of improved and superior products. I believe that our increased investment in this activity will enable us to further improve our technological competence and also contribute to national knowledge and aims in meeting the nutrition needs of the country. You will be pleased to learn that our Research and Development Laboratories have been recognised by the Ministry of Science & Technology as Research Units.

Diversification

Active consideration is being given to the direction in which Britannia should proceed and several interesting possibilities are under review. Obviously, we must exercise caution in our planning but it is hoped that during 1976/77, some indication can be given of possible new activities. Notwithstanding these observations, the task of a business is to take

risks. Naturally, if we have to take risks to earn rewards, we would like to minimise the risks and we have tried to formulate a strategy that will enable us to expand our operations without leaving ourselves open to dangers that erode our profits and jeopardise our progress.

Exports

Throughout the year we have made a tremendous effort to increase our exports. Our record biscuit exports to foreign exchange markets this year represent one and a half times the value of the exports of the rest of the industry. Our sea-foods and frozen foods exports have also shown significant improvement and with the acquisition of three fibreglass trawlers during the year and five large trawlers on order, we intend to sustain this programme of expansion.

In the area of general exports, our Export Division has intensified its activities. We have offered our assistance to small and medium scale units for the purpose of developing their exports. This is

in addition to the direct exports, which we are developing ourselves, and progress in this area is satisfactory. We will need to summon great energy and new resources to develop our programmes and sustain them at a level of real distinction.

Employees

Although profit is essential for our progress, I am constantly mindful of importance of people. Shareholders, customers, staff and associates are all very important to us, and it is vital that good relations are maintained with all of them.

A great deal of time and money is devoted to ensuring the best possible training for our staff and employees. We have training courses within the Company and we participate in outside courses. It is our endeavour to see that not only are our employees equitably compensated with the best service conditions, but that they derive satisfaction from their jobs and look to the Company for a rewarding career.

In order to further secure

the interest of the employees, the Company has voluntarily funded the total liability up to 31st March 1976 in respect of gratuity actuarially calculated at over Rs 73 lakhs. This Trust Fund will operate in accordance with the Government guidelines and Trust rules have been approved by the Income Tax Authorities.

The very good results for the year under review could not have been achieved without the skill and dedication of our management and the hard work and co-operation of our employees. Today there is a growing awareness that the fortunes of employers and employees are intimately linked. I would like to take this opportunity of thanking the 5900 and more men and women who work in the Company for the indispensable contribution they have made to the record results.

Shareholding

A realistic way to assess a Company is by its actual worth and its earning capacity, in as much as the intrinsic value of shares sometimes fails to em-

erge in share prices. Yours is the only Company in the Biscuit Industry in which members of the public and financial institutions have an extensive interest and with the issue of new shares to increase the Indian shareholding to 60 per cent, the public participation will become even wider.

Outlook

The challenge to Industry is to take advantage of the opportunities which exist and search out others to exploit in the years ahead.

My colleagues and I are concerned with the opportunities that are in front of us, with the tremendous amount of work which is being done by the Company to take advantage of these opportunities and with equipping ourselves to move forward strongly just as soon as conditions permit. A sound base for growth has been established and we continue to look forward with optimism and eagerness to the coming years.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

Constitution Amendment Bill, 1976

The Constitution (44th Amendment) Bill was introduced in the Lok Sabha by the minister of Law and Company Affairs, Mr H.R. Gokhale, on September 1, 1976. The bill proposes comprehensive changes in the constitution and provides, among other things, that the President is expressly bound to act on the advice of the Union Cabinet, the normal term of the Lok Sabha and state assemblies will be six years and that high courts cannot probe into the constitutionality of any central law.

According to the proposed amendment the Supreme Court will hear cases which require determination of the constitutionality of any central or state law but no central or state law can hereafter be declared unconstitutional except by a two-thirds majority of a Constitution bench composed of a minimum of seven judges. The amendment also prescribes ten fundamental duties of an Indian citizen.

The following is the text of the Bill.

1. Short title and commencement: (a) This Act may be called the Constitution (Forty-fourth Amendment) Act, 1976.

(b) It shall come into force on such date as the Central Government may, by notification in the official gazette, appoint and different dates may be appointed for different provisions of this Act.

Preamble

2. Amendment of the Preamble: In the Preamble to the Constitution:—

(a) for the words "Sovereign Democratic Republic", the words "Sovereign Socialist Secular Democratic Republic" shall be substituted; and

(b) for the words "unity of the nation", the words

"unity and integrity of the nation" shall be substituted.

3. Insertion of new sub-heading after article 31: After article 31 of the Constitution, the following sub-heading shall be inserted, namely:—"Saving of Certain Laws".

4. Amendment of article 31C: In Article 31C of the Constitution, for the words, brackets, letters and figures "the principles specified in clause (b) or clause (c) of Article 39", the words and figures "all or any of the principles laid down in Part IV" shall be substituted.

Constitutional Remedies

5. Insertion of new Article 31D: After article 31C of the Constitution and before the subheading "Right to Constitutional Remedies" the following Article shall be inserted, namely:—

31D (1) Notwithstanding anything contained in Article 13, no law providing for:—

(a) the prevention or prohibition of anti-national activities; or

(b) the prevention of formation of, or the prohibition of, anti-national associations, shall be deemed to be void on the ground that it is inconsistent with, or takes away or abridges any of the rights

conferred by, Article 14, Article 19 or Article 31.

(2) Notwithstanding anything in this Constitution, parliament shall have, and the legislature of a state shall not have, power to make laws with respect of any of the matters referred to in sub-clause (a) or sub-clause (b) of clause (1).

(3) Any law with respect to any matter referred to in sub-clause (a) or sub-clause (b) of clause (1) which is in force immediately before the commencement of Section 5 of the Constitution (Forty-fourth Amendment) Act, 1976, shall continue in force until altered or repealed or amended by Parliament.

Anti-National

(4) In this article,—

(a) "association" means an association of persons;

(b) "anti-national activity", in relation to an individual or association means any action taken by such individual or association—

(i) which is intended, or which supports any claim, to bring about, on any ground whatsoever, the cession of a part of the territory of India or the secession of a part of the territory of India or which incites any individual or association to bring about such cession or secession;

(ii) which disclaims, questions, threatens, disrupts or is intended to threaten or disrupt the sovereignty and integrity of India or the security of the state or the unity of the nation;

(iii) which is intended, or which is part of a scheme which is intended, to over-

throw by force the government as by law established;

(iv) which is intended, or which is part of a scheme which is intended, to create internal disturbance or the disruption of public services;

Preserving Harmony

(v) which is intended, or which is part of a scheme which is intended, to threaten or disrupt harmony between different religious, racial, language or regional groups of castes or communities;

(c) "anti-national association" means an association—

(i) which has for its object any anti-national activity;

(ii) which encourages or aids persons to undertake or engage in any anti-national activity;

(iii) the members where of undertake or engage in any anti-national activity.

6. Insertion of new Article 32A: After Article 32 of the Constitution, the following article shall be inserted, namely:—

32A. Notwithstanding anything in Article 32, the Supreme Court shall not consider the constitutional validity of any state law in any proceedings under that Article unless the constitutional validity of any Central law is also in issue in such proceedings."

7. Amendment of Article 39: In Article 39 of the Constitution, for clause (f) the following clause shall be substituted, namely:—

"(f) that children are given opportunities and facilities to develop in a healthy manner and in conditions of freedom and dignity and that childhood

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and youth are protected against exploitation and against moral and material abandonment."

8. Insertion of new Article 39A: After article 39 of the Constitution, the following article shall be inserted, namely:—

"39A. The state shall secure that the operation of the legal system promotes justice, on a basis of equal opportunity, and shall, in particular, provide free legal aid, by suitable legislation or schemes or in any other way, to ensure that opportunities for securing justice are not denied to any citizen by reason of economic or other disabilities."

9. Insertion of new Article 43A: After Article 43 of the Constitution, the following article shall be inserted, namely:—

43A: The state shall take steps, by suitable legislation or in any other way, to secure the participation of workers in the management of undertakings, establishments or other organisations engaged in any industry."

10. Insertion of new Article 48A: After Article 48 of the Constitution, the following article shall be inserted, namely:—

"48A: The state shall endeavour to protect and improve the environment and to safeguard the forests and wild life of the country."

Fundamental Duties

11. Insertion of new Part IVA: After Part IV of the Constitution, the following part shall be inserted namely:—

51A. Fundamental duties: It shall be the duty of every citizen of India:—

(a) to abide by the Constitution and respect its ideals and institutions, the National Flag and the National Anthem;

(b) to cherish and follow the noble ideals which inspired our national struggle for freedom;

(c) to uphold and protect

the sovereignty, unity and integrity of India.

(d) to defend the country and render national service when called upon to do so;

(e) to promote harmony and the spirit of common brotherhood amongst all the people of India transcending religious, linguistic and regional or sectional diversities; to renounce practices derogatory to the dignity of women;

(f) to value and preserve the rich heritage of our composite culture;

(g) to protect and improve the natural environment including forests, lakes, rivers and wild life, and to have compassion for living creatures;

(h) to develop the scientific temper, humanism and the spirit of inquiry and reform;

(i) to safeguard public property and to abjure violence;

(j) to strive towards excellence in all spheres of individual and collective activity, so that the nation constantly rises to higher level of endeavour and achievement."

Population

12. Amendment of Article 55: In Article 55 of the Constitution, for the Explanation, the following Explanation shall be substituted, namely:—

"Explanation. — In this article, the expression "population" means the population as ascertained at the last preceding census of which the relevant figures have been published;

Provided that the reference in this Explanation to the last preceding census of which the relevant figures have been published shall, until the relevant figures for the first census taken after the year 2000 have been published, be construed as a reference to the 1971 census."

13. Amendment of Article 74: In Article 74 of the Constitution, for clause (1), the following clause shall be substituted, namely:—

"(1) There shall be a council

of ministers with the Prime Minister at the head to aid and advise the President who shall, in the exercise of his functions, act in accordance with such advice."

14. Amendment of Article 77: In Article 77 of the Constitution, after clause (3), the following clause shall be inserted, namely:—

"(4) No court or other authority shall be entitled to require the production of any rules made under clause (3) for the more convenient transaction of the business of the Government of India."

Census Reference

15. Amendment of Article 81: In Article 81 of the Constitution, to clause (3), the following proviso shall be added, namely:—

"Provided that the reference in this clause to the last preceding census of which the relevant figures have been published shall, until the relevant figures for the first census taken after the year 2000 have been published, be construed as a reference to the 1971 census."

16. Amendment of Article 82: In Article 82 of the Constitution, after the proviso, the following provisos shall be inserted, namely:—

"Provided further that such readjustment shall take effect from such date as the President may by order specify and until such readjustment takes effect any election to the House may be held on the basis of the territorial constituencies existing before such readjustment;

Provided also that until the relevant figures for the first census taken after the year 2000 have been published, it shall not be necessary to readjust the allocation of seats in the House of the People to the states and the division of each state into territorial constituencies under this article."

17. Amendment of Article 83: (1) In Article 83 of the Constitution in clause (2) for the words "five years" in the two

places where they occur, the words "six years" shall be substituted.

(2) The amendments made by sub-section (1) shall apply to the House of the People in existence on the date coming into force of this section.

18. Amendment to Article 100: In Article 100 of the Constitution, clauses (3) and (4) shall be omitted.

19. Amendment of Article 102: In Article 102 of the Constitution, for sub-clause (a) of clause (1), the following sub-clause shall be substituted, namely:—

"(a) if he holds any such office of profit under the Government of India or the Government of any state as is declared by Parliament by law to disqualify its holder;";

20. Substitution of New Article 103: For Article 103 of the Constitution, the following Article shall be substituted, namely:—

Disqualifications

"103. (1) If any question arises:—

(a) as to whether a member of either House of Parliament has become subject to any of the disqualifications mentioned in clause (1) of article 102, or

(b) as to whether a person found guilty of a corrupt practice at an election to a House of Parliament under any law made by Parliament, shall be disqualified for being chosen as, and for being, a member of either House of Parliament or of a House of the legislature of a state, or as to the period for which he shall be so disqualified, or as to the removal of, or the reduction of the period of, such disqualification,

the question shall be referred for the decision of the President and his decision shall be final.

(2) Before giving any decision on any such question, the President shall consult the Election Commission and the Election Commission may

for this purpose, make such inquiry as it thinks fit."

21. Amendment of Article 105: In Article 105 of the Constitution, for clause (3), the following clause shall be substituted, namely:—

"(3) In other respects, the powers, privileges and immunities of each House of Parliament and of the members and the committees of each House shall be such as may, from time to time be evolved by such House of Parliament."

22. Amendment of Article 118: In Article 118 of the Constitution, in clause (1), after the words "its procedure" the brackets and words "including the quorum to constitute a meeting of the House" shall be inserted.

Supreme Court

23. Insertion of New Article 131A: After Article 131 of the Constitution, the following Article shall be inserted, namely:—

"131A. (1) Notwithstanding anything contained in any other provision of this Constitution, the Supreme Court shall, to the exclusion of any other court, have jurisdiction to determine all questions relating to the constitutional validity of any Central law.

(2) Where a High Court is satisfied—

(a) that a case pending before it or before a court subordinate to it involves question as to the constitutional validity of or any Central law or, as the case may be, of both Central and state laws; and

(b) that the determination of such questions is necessary for the disposal of the case, the High Court shall refer the questions for the decision of the Supreme Court.

(3) Without prejudice to the provisions of clause (2), where, on an application made by the Attorney-General of India, the Supreme Court is satisfied,—

(a) that a case pending before a High Court or before a court subordinate to a High

Court involves questions as to the constitutional validity of any Central law or, as the case may be, of both Central and state laws; and

(b) that the determination of such question is necessary for the disposal of the case,

the Supreme Court may require the High Court to refer the question to it for its decision.

(4) When a reference is made under clause (2), or clause (3), the High Court shall stay all proceedings in respect of the case until the Supreme Court decides the questions so referred.

(5) The Supreme Court shall, after giving the parties an opportunity of being heard, decide the questions so referred, and may—

(a) either dispose of the case itself, or

(b) return the case to the High Court together with a copy of its judgement on such questions for disposal of the case in conformity with such judgement by the High Court or, as the case may be, the court subordinate to it."

Transfer of Cases

24. Insertion of new article 139A: After Article 139 of the Constitution, the following Article shall be inserted, namely:—

139A: (1) If on an application made by the Attorney-General of India, the Supreme Court is satisfied that cases involving the same or substantially the same questions of law are pending before it and one or more High Courts or before two or more High Courts and that such questions are substantial questions of general importance, the Supreme Court may withdraw the case or cases pending before the High Court or the High Courts and dispose of all the cases itself.

(2) The Supreme Court may, if it deems it expedient so to do for the ends of justice, transfer any case, appeal or other proceedings pending be-

fore any High Court to any other High Court.

25. Insertion of new Article 144A: After Article 144 of the Constitution, the following Article shall be inserted, namely:—

Constitution Bench

"144A: (1) The minimum number of judges of the Supreme Court who shall sit for the purpose of determining any question as to the constitutional validity of any Central law or state law shall be seven.

(2) A Central law or a state law shall not be declared to be constitutionally invalid by the Supreme Court unless a majority of not less than two-thirds of the judges sitting for the purpose of determining the question as to the constitutional validity of such law hold it to be constitutionally invalid."

26. Amendment of article 145: In Article 145 of the Constitution —

(a) in clause (1), after sub-clause (c), the following sub-clause shall be inserted, namely:—

(cc) rules as to the proceedings in the court under articles 131A and 139A;";

(b) in clause (2), for the words, brackets and figure "provisions of clause (3)", the words, figures, letter and brackets "provisions of Article 144A and of clause (3)" shall be substituted.

(c) in clause (3), for the words "The minimum number", the words, figures and letter "Subject to the provisions of Article 144A, the minimum number" shall be substituted.

27. Substitution of new article for article 150: For Article 150 of the Constitution, the following article shall be substituted, namely:—

"150: The accounts of the Union and of the states shall be kept in such form as the President may, after consultation with the Comptroller and

Auditor-General of India, prescribe."

28. Amendment of Article 166: In Article 166 of the Constitution, after clause (3), the following clause shall be inserted, namely:—

(4) No court or other authority shall be entitled to require the production of any rules made under clause (3) for the more convenient transaction of the business of the government of the state."

29. Amendment of article 170: In Article 170 of the Constitution,—

(a) for the Explanation, the following Explanation shall be substituted, namely:—

"Explanation. In this clause, the expression "population" means the population as ascertained at the last preceding census of which the relevant figures have been published;

Provided that the reference in this Explanation to the last preceding census of which the relevant figures have been published shall, until the relevant figures for the first census taken after the year 2000 have been published, be construed as a reference to the 1971 census;";

(b) in clause (3), after proviso, the following provisos shall be inserted, namely:—

Constituencies

"Provided further that such readjustment shall take effect from such date as the President may, by order, specify and until such readjustment takes effect, any election to the legislative assembly may be held on the basis of the territorial constituencies existing before such readjustment;

Provided also that until the relevant figures for the first census taken after the year 2000 have been published, it shall not be necessary to readjust the total number of seats in the legislative assembly of each state and the division of such state into territorial constituencies under this clause."

30. Amendment of Article

172: (1) In Article 172 of the Constitution, in clause (1), for the words "five years" in the two places where they occur, the words "six years" shall be substituted.

(2) The amendments made by sub-section (1) shall apply to every legislative assembly in existence on the date of coming into force of this section.

31. Amendment of Article 189: In Article 189 of the Constitution, clauses (3) and (4) shall be omitted.

Office of Profit

32. Amendment of Article 191: In Article 191 of the Constitution, for sub-clause (a) of clause (1), the following sub-clause shall be substituted, namely:—

"(a) if he holds any such office of profit under the government of any state specified in the First Schedule as is declared by Parliament by law to disqualify its holder."

33. Substitution of new Article for Article 192: For Article 192 of the Constitution, the following Article shall be substituted, namely:—

"**192:** (1) If any question arises:—

(a) as to whether a member of a House of the legislature of a state has become subject to any of the disqualifications mentioned in clause (1) of article 191, or

(b) as to whether a person found guilty of a corrupt practice at an election to a House of the legislature of a state under any law made by Parliament shall be disqualified for being chosen as, and for being, a member of either House of Parliament or of a House of the legislature of a state, or as to the period for which he shall be so disqualified, or as to the removal of, or the reduction of the period of, such disqualification.

The question shall be referred for the decision of the President and his decision shall be final.

(2) Before giving any deci-

sion on any such question, the President shall consult the Election Commission and the Election Commission may, for this purpose, make such inquiry as it thinks fit."

34. Amendment of Article 194: In Article 194 of the Constitution, for clause (3), the following clause shall be substituted, namely:—

"(3) In other respects, the powers, privileges and immunities of a House of the legislature of a state, and of the members and the committees of a House of such legislature shall be such as may from time to time be evolved by such House."

35. Amendment of Article 208: In Article 208 of the Constitution, in clause (1), after the words "its procedure" the brackets and words "(including the quorum to constitute a meeting of the House)" shall be inserted.

New Definitions

36. Amendment of Article 217: In Article 217 of the Constitution, in clause (2),—

(a) in sub-clause (b), the word "or" shall be inserted at the end;

(b) after sub-clause (b), the following sub-clause shall be inserted, namely:—

"(c) Is in the opinion of the President, a distinguished jurist."

(c) In the 'Explanation,' in clause (a) for the words "has held judicial office," the words "has held judicial office or the office of a member of a tribunal or any post, under the Union or a state requiring special knowledge of law" shall be substituted.

37. Amendment of Article 225: In Article 225 of the Constitution, the proviso shall be omitted.

38. Substitution of new Article for Article 226: For Article 226 of the Constitution, the following Article shall be substituted, namely:—

"226 (1) Notwithstanding anything in Article 32 but

subject to provisions of Article 131A and Article 226A, every High Court shall have power throughout the territories in relation to which it exercises jurisdiction to issue to any person or authority, including in appropriate cases, any government, within those territories directions, order or writs, including writs in the nature of 'habeas corpus,' 'mandamus,' 'prohibition,' 'quo warranto' and 'certiorari,' or any of them.—

(a) for the enforcement of any of the rights conferred by the provisions of Part III; or

(b) for the redress of any injury of a substantial nature by reason of the contravention of any other provision of this Constitution or any provision of any enactment or Ordinance or any order, rule, regulation, bye-law or other instrument made thereunder; or

(c) for the redress of any injury by reason of any illegality in any proceedings by or before any authority under any provision referred to in sub-clause (b) where such illegality has resulted in substantial failure of justice.

Writ Issue Powers

(2) The power conferred by clause (1) to issue directions, orders or writs to any government, authority or person may also be exercised by any High Court exercising jurisdiction in relation to the territories within which the cause of action, wholly or in part, arises for the exercise of such power, notwithstanding that the seat of such government or authority or the residence of such person is not within those territories.

(3) No petition for the redress of any injury referred to in sub-clause (b) or sub-clause (c) of clause (1) shall be entertained if any other remedy for such redress is provided for by or under any other law for the time being in force.

(4) No interim order (whether by way of injunction or stay or in any other manner) shall be made on, or in any

proceedings relating to a petition under clause (1) unless—

(a) copies of such petition and of all documents in support of the plea for such interim order are furnished to the party, against whom such petition is filed or proposed to be filed; and

(b) opportunity is given to such party to be heard in the matter.

Interim Order

(5) The High Court may dispense with the requirements of sub-clauses (a) and (b) of clause (4) and make an interim order as an exceptional measure if it is satisfied for reasons to be recorded in writing that it is necessary so to do for preventing any loss being caused to the petitioner which cannot be adequately compensated in money but any such interim order shall, if it is not vacated earlier, cease to have effect on the expiry of a period of fourteen days from the date on which it is made unless the said requirements have been complied with before the expiry of that period and the High Court has continued the operation of the interim order.

(6) Notwithstanding anything in clause (4) or clause (5), no interim order (whether by way of injunction or stay or in any other manner) shall be made on, or in any proceedings relating to, a petition under clause (1) where such order will have the effect of delaying any inquiry into a matter of public importance or any investigation or inquiry into an offence punishable with imprisonment or any action for the execution of any work or project of public utility, or the acquisition of any property for such execution, by the government or any corporation owned or controlled by the government.

(7) The power conferred on a High Court by this Article shall not be in derogation of the power conferred on the Supreme Court by clause (2) of Article 32."

39. Insertion of new Article 226A: After article 226 of the

Constitution, the following Article shall be inserted, namely:—

"226A. Notwithstanding anything in Article 226, the High Court shall not consider the constitutional validity of any Central law in any proceedings under that article."

40. Amendment of Article 227: In Article 227 of the Constitution:—

(a) for clause (1), the following clause shall be substituted, namely:—

"(1) Every High Court shall have superintendence over all courts subject to its appellate jurisdiction."

(b) after Clause (4), the following clause shall be inserted, namely:—

"(5) Nothing in this Article shall be construed as giving to a High Court any jurisdiction to question any judgment of any inferior court which is not otherwise subject to appeal or revision."

41. Amendment of Article 228: In Article 228 of the Constitution, for the words "It shall withdraw the case and may—", the words, figures and letter "it shall withdraw the case and, subject to the provision of Article 131A, may—" shall be substituted.

State Laws

42. Insertion of new Article 228A: After Article 228 of the Constitution, the following Article shall be inserted, namely:—

"228A: (1) No High Court shall have jurisdiction to declare any Central law to be constitutionally invalid.

(2) Subject to the provisions of Article 131A, the High Court may determine questions as to the constitutional validity of state laws.

(3) The minimum number of judges who shall sit for the purpose of determining any question as to the constitutional validity of any state law shall be five:

Provided that where

High Court consists of less than five judges, all the judges of the High Court may sit and determine such question.

(4) A state law shall not be declared to be constitutionally invalid by the High Court unless—

(a) where the High Court consists of five judges or more, not less than two-thirds of the judges sitting for the purpose of determining the validity of such law, hold it to be constitutionally invalid; and

(b) where the High Court consists of less than five judges, all the judges of the High Court hold it to be constitutionally invalid.

(5) The provisions of this Article shall have effect notwithstanding anything contained in this Part

Explanation: In computing the number of judges of a High Court for the purposes of this Article, a judge who is disqualified by reason of personal or pecuniary bias shall be excluded."

Deployment of Army

43. Insertion of new Article 257A: After Article 257 of the Constitution, the following Article shall be inserted, namely:—

257A: (1) The Government of India may deploy any armed force of the Union or any other force subject to the control of the Union for dealing with any grave situation of law and order in any state.

(2) Any armed force or other force or any contingent or unit thereof deployed under clause (1) in any state shall act in accordance with such direction as the government of India may issue and shall not, save as otherwise provided in such directions, be subject to the superintendence or control of the state Government or any officer or authority subordinate to the state government.

(3) Parliament may, by law, specify the powers, functions, privileges and liabilities of the members of any force or any

contingent or unit thereof deployed under clause (1) during the period of such deployment."

44. Amendment of Article 311: In Article 311 of the Constitution, in clause (2),—

(a) the words "and where it is proposed, after such inquiry, to impose on him any such penalty, until he has been given a reasonable opportunity of making representation on the penalty proposed, but only on the basis of the evidence adduced during such inquiry" shall be omitted;

(b) for the words "provided that this clause shall not apply,—", the following shall be substituted, namely:—

Penalties

"Provided that where it is proposed after such inquiry, to impose upon him any such penalty, such penalty may be imposed on the basis of the evidence adduced during such inquiry and it shall not be necessary to give such person any opportunity of making representation on the penalty proposed:

Provided further that this clause shall not apply.—"

45. Amendment of Article 312: In Article 312 of the Constitution:—

(a) in clause (1),—

(i) for the word and figures "Part XI," the words and figures "Chapter VI of Part VI or Part XI" shall be substituted;

(ii) after the words "all-India services," the brackets and words "(including an all-India judicial service)" shall be inserted;

(b) after clause (2), the following clauses shall be inserted, namely:—

"(3) The all-India judicial service referred to in clause (1) shall not include any post inferior to that of a district judge as defined in Article 236.

(4) The law providing for the creation of the all-India judicial service aforesaid may

contain such provisions for the amendment of Chapter VI of Part VI as may be necessary for giving effect to the provisions of that law and no such law shall be deemed to be an amendment of this Constitution for the purposes of article 368."

46. Insertion of new Part XIVA: After Part XIV of the Constitution, the following Part shall be inserted, namely: Part XIVA

Special Tribunals

323A: (1) Parliament may, by law, provide for the adjudication of trial by administrative tribunals of disputes and complaints with respect to recruitment and conditions of service of persons appointed to public services and posts in connection with the affairs of the Union or of any state or of any local or other authority within the territory of India or under the control of the Government of India or of any corporation owned or controlled by the government. (2) A law made under clause (1) may—

(a) provide for the establishment of an administrative tribunal for the Union and a separate administrative tribunal for each state or for two or more States;

(b) specify the jurisdiction, powers (including the power to punish for contempt) and authority, which may be exercised by each of the said tribunals;

(c) provide for the procedure (including provisions as to limitation and rules of evidence) to be followed by the said tribunals;

(d) exclude the jurisdiction of all courts, except the jurisdiction of the Supreme Court under Article 136, with respect to the disputes or complaints referred to in clause (1);

(e) provide for the transfer to each such administrative tribunal of any cases pending before any court or other authority immediately before the establishment of such tribunal as would have been within the jurisdiction of such

tribunal if the causes of action on which such suits or proceedings are based had arisen after such establishment;

(f) repeal or amend any order made by the President under clause (3) of Article 371D;

(g) contain such supplemental, incidental and consequential provisions (including provisions as to fees) as Parliament may deem necessary for the effective functioning of, and for the speedy disposal of cases by, and the enforcement of the orders of such tribunals.

(3) The provisions of this Article shall have effect notwithstanding anything in any other provision of this Constitution or in any other law for the time being in force.

Other Tribunals

323B: (1) The appropriate legislature may, by law, provide for the adjudication or trial by tribunals of any disputes, complaints, or offences with respect to all or any of the matters specified in clause (2) with respect to which such legislature has power to make laws.

(2) The matters referred to in clause (1) are the following, namely:—

(a) levy, assessment, collection and enforcement of any tax;

(b) foreign exchange, import and export across customs frontiers;

(c) industrial and labour disputes;

(d) land reforms by way of acquisition by the state of any estate as defined in Article 31A or of any rights therein or the extinguishment or modification of any such rights or by way of ceiling on agricultural land or in any other way;

(e) ceiling on urban property;

(f) elections to either House of Parliament or the House or either House of the legislature of a state, but excluding the matters referred to in Article 329 and Article 329A;

(g) production, procurement,

supply and distribution of food-stuffs (including edible oilseeds and oils and such other goods as the President may, by public notification, declare to be essential goods for the purpose of this Article and control of prices of such goods;

(h) offences against laws with respect to any of the matters specified in sub-clauses (a) to (g) and fees in respect of any of those matters;

(i) any matter incidental to any of the matters specified in sub-clauses (a) to (h)

(3) A law made under clause (1) may—

(a) provide for the establishment of a hierarchy of tribunals;

(b) specify the jurisdiction powers (including the power to punish for contempt) and authority which may be exercised by each of the said tribunals;

(c) provide for the procedure including provisions as to limitation and rules of evidence) to be followed by the said tribunals;

Excluded Jurisdiction

(d) exclude the jurisdiction of all courts except the jurisdiction of the Supreme Court under Article 136 with respect to all or any of the matters falling within the jurisdiction of the said tribunals;

(e) provide for the transfer to each such tribunal of any cases pending before any court or any other authority immediately before the establishment of such tribunal as would have been within the jurisdiction of such tribunal, if the causes of action on which such suits or proceedings are based had arisen after such establishment;

(f) contain such supplemental incidental and consequential provisions (including provisions as to the fees) as the appropriate legislature may deem necessary for the effective functioning of, and for the speedy disposal of cases

by, and the enforcement of the orders of, such tribunals.

(4) The provisions of this Article shall have effect notwithstanding anything in any other provision of this Constitution or in any other law for the time being in force.

Explanation—In this Article “appropriate legislature” in relation to any matter means Parliament or, as the case may be, a state legislature competent to make laws with respect to such matter in accordance with the provisions of Part XI.

47. Amendment of Article 330: In Article 330 of the Constitution, the following **Explanation** shall be inserted at the end, namely:—

Population Redefined

Explanation—In this Article and in this Article 332, the expression “population”, means the population as ascertained at the last preceding census, of which the relevant figures have been published.

Provided that the reference in this **Explanation** to the last preceding census of which the relevant figures have been published shall, until the relevant figures for the first census taken after the year 2000 have been published, be construed as a reference to the 1971 census.

48. Amendment of Article 352: In Article 352 of the Constitution:—

(a) In clause (1), after the words “make a declaration to that effect”, the following shall be inserted, namely:—

“in respect of the whole of India or of such part of the territory thereof as may be specified in the Proclamation”;

(b) in clause (2), in sub-clause (a), after the word “revoked”, the words “or varied” shall be inserted;

(c) after clause (2), the following clause shall be inserted, namely:—

“(2A) Where a Proclamation issued under clause (1) is varied by a subsequent Proclamation, the Provisions of clause

(2) shall, so far as may be, apply in relation to such subsequent Proclamation as they apply in relation to a Proclamation issued under clause (1)”.

49. Amendment of Article 353: To Article 353 of the Constitution, the following proviso shall be added, namely:—

“provided that where a Proclamation of Emergency is in operation only in any part of the territory of India,—

(i) the executive power of the Union to give directions under clause (a), and

(ii) the power of Parliament to make laws under clause (b), shall also extend to any state, other than a state in which or in any part of which the Proclamation of Emergency is in operation if and in so far as the security of India or any part of the territory thereof is threatened by activities in relation to the part of, the territory of India in which the Proclamation of Emergency is in operation.”

Duration of Emergency

50. Amendment of Article 365: In Article 356 of the Constitution, in clause (4), for the words “six months” wherever shall be substituted.

51. Amendment of Article 357 (1) In article 357 of the Constitution for clause (2) the following clause shall be substituted, namely:—

“(2) Any law made in exercise of the power of the legislature of the state by Parliament or the President or other authority referred to in sub-clause (a) of clause (1) which Parliament or the President or such other authority would not, but for the issue of Proclamation under Article 356, have been competent to make shall, after the Proclamation has ceased to operate, continue in force until altered or repealed or amended by a competent legislature or other authority.”

(2) The amendment made by sub-section (1) shall apply to any law referred to in

clause (2) of Article 357 of the Constitution which is in force immediately before the coming into force of this section.

52. Amendment of Article 358: To Article 358 of the Constitution, the following proviso shall be added, namely:—

Territorial Security

“Provided that where a Proclamation of Emergency is in operation only in any part of the territory of India, any such law may be made, or any such executive action may be taken, under this Article in relation to or in any state or Union Territory specified in the First Schedule in which or in any part of which the Proclamation of Emergency is not in operation, if and in so far as the security of India or any part of the territory thereof is threatened by activities in or in relation to the part of the territory of India in which the Proclamation of Emergency is in operation.”

53. Amendment of Article 359: In Article 359 of the Constitution:—

(a) to clause (1A), the following proviso shall be added, namely:—

“Provided that where a Proclamation of Emergency is in operation only in any part of the territory of India, any such law may be made or any such executive action may be taken, under this Article in relation to or in any state or Union Territory specified in the First Schedule in which or in any part of which the Proclamation of Emergency is not in operation, if and in so far as the security of India or any part of the territory thereof is threatened by activities in or in relation to the part of the territory of India in which the Proclamation of Emergency is in operation”;

(b) to clause (2), the following proviso shall be added, namely:—

“Provided that where a Proclamation of Emergency is in operation only in a part of the territory of India, any such

order shall not extend to any other part of the territory of India unless the President being satisfied that the security of India or any part of the territory thereof is threatened by activities in or in relation to the part of the territory of India in which the Proclamation of Emergency is in operation considers such extension to be necessary.”

54. Amendment of Article 366: In article 366 of the Constitution:—

(a) after clause (4), the following clause shall be inserted namely:—

(4A) “Central law” means any law other than a state law,

(b) after clause (26), the following clause shall be inserted, namely:—

“(26A) “state law” means—

(a) a state Act or an Act of the legislature of a Union Territory;

Governor's Powers

(b) an Ordinance promulgated by the Governor of a state under Article 213 or by the Administrator of a Union Territory under article 239B;

(c) any provision with respect to a matter in the State List in a Central Act made before the commencement of this Constitution;

(d) any provision with respect to a matter a matter in the state List or the Concurrent List in a provincial Act;

(e) any notification, order scheme, rule, regulation or bylaw or any other instrument having the force of law made under any Act, Ordinance or provisions referred to in sub-clause (c) or sub-clause (d); and

(1) any other law (including any usage or custom having the force of law) with respect to a matter in the State List.”

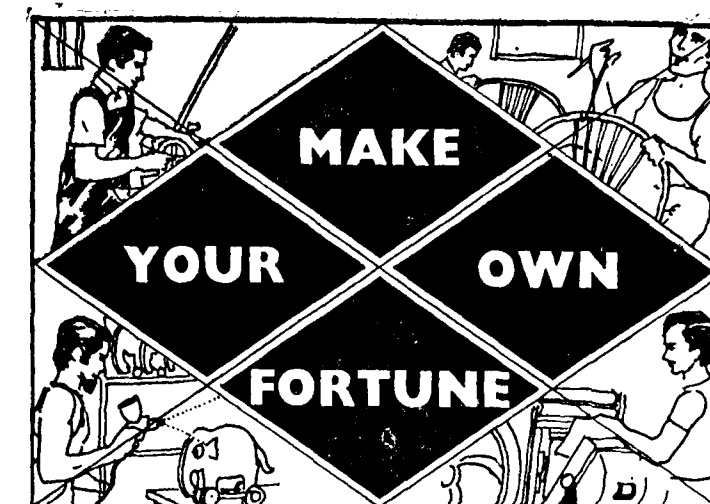
55. Amendment of Article 368: In Article 368 of the Constitution, after clause (3), the following clause shall be inserted namely:—

“(4) No amendment of this Constitution (including the provisions of Part III) made or purporting to have been made under this Article whether before or after the commencement of Section 55 of the Constitution (Forty-fourth Amendment) Act, 1976 shall be called in question in any

court except upon the ground that it has not been made in accordance with the procedure laid down by this Article.”.

Seventh Schedule

56. Amendment of Article 371F: In Article 371F of the Constitution, in clause (c), for the words “five years”, the



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words "six years" shall be substituted and for the words "four years" in the to places where they occur, the words "five years" shall be substituted.

57. Amendment of the Seventh Schedule: In the Seventh Schedule to the Constitution,—

(a) in List I—Union List, after entry 2, the following entry shall be inserted, namely:—

New Additions

"2A Deployment of any armed force of the Union or any other force subject to the control of the Union or any contingent or unit thereof in any state in aid of the civil power; powers, jurisdiction, privileges and liabilities of the members of such forces while on such deployment";

(b) in List II—State List,—

(i) in entry 1, for the words "the use of naval, military or air forces or any other armed forces of the Union" the words "the use of any naval, military or air force or any other armed force of the Union or of any other force subject to the control of the Union or of any contingent or unit thereof" shall be substituted;

(ii) for entry 2, the following entry shall be substituted namely:—

"2. Police (including railway and village police) subject to the provisions of entry 2A of List I";

(iii) in entry 3, the words "Administration of justice; constitution and organisation of all courts, except the Supreme Court and the High Court;" shall be omitted;

(iv) entries 11, 19, 20 and 29 shall be omitted;

(v) in entry 55, the words "and advertisements, broadcast by radio or television" shall be inserted at the end;

(c) in List III—Concurrent List,—

(i) after entry 11, the follow-

ing entry shall be inserted, namely:—

"11A. Administration of justice; constitution and organisation of all courts, except the Supreme Court and the High Courts.";

(ii) after entry 17, the following entries shall be inserted, namely:—

"17A. Forests.

17B Protection of wild animals and birds";

(iii) after entry 20, the following entry shall be inserted, namely:—

"20A. Population control and family planning".

(iv) for entry 25, the following entry shall be substituted, namely:—

"25. Education, including technical education, medical education and universities, subject to the provisions of entries 63, 64, 65 and 66 of List I; vocational and technical training of labour";

(v) after entry 33, the following entry shall be inserted, namely:—

"33A. Weights and measures except establishment of standards";

Special Provisions

58. Special provisions as to pending petitions under Article 226: (1) Notwithstanding anything contained in the Constitution, every petition made under Article 226 of the Constitution before the appointed day and pending before any High Court immediately before that day (such petition being referred to in this section as a pending petition) and any interim order whether by way of injunction or stay or in any other manner, made on or in any proceedings relating to, such petition before that day shall be dealt with in accordance with the provisions of Article 226 as substituted by section 38.

(2) In particular, and without prejudice to the generality of the provisions of sub-section (1), every pending petition before a High Court

which would not have been admitted by the High Court under the provisions of Article 226 as substituted by section 38 if such petition had been made after the appointed day, shall abate and any interim order (whether by way of injunction or stay or in any other manner) made on or in any proceedings relating to, such petition shall stand vacated:

Petitioners Right

Provided that nothing contained in this sub-section shall affect the right of the petitioner to seek relief under any other law for the time being in force in respect of the matters to which such petition relates and in computing the period of limitation, if any, for seeking such relief, the period during which the proceedings relating to such petition were pending in the High Court shall be excluded.

(3) Every interim order (whether by way of injunction or stay or in any other manner) which was made before the appointed day, on or in any proceedings relating to, a pending petition [not being a pending petition which has abated under sub-section (2)], and which is in force on that day, shall, unless before the appointed day copies of such pending petition and of documents in support of the plea for such interim order had been furnished to the party against whom such interim order was made and an opportunity had been given to such party to be heard in the matter, cease to have effect (if not vacated earlier).—

(a) on the expiry of a period of one month from the appointed day, if the copies of such pending petition and the documents in support of the plea for the interim order are not furnished to such party before the expiry of the said period of one month; or

(b) on the expiry of a period of four months from the appointed day, if the copies referred to in clause (a) have been furnished to such party within the period of one month referred to in that clause but

such party has not been given an opportunity to be heard in the matter before the expiry of the said period of four months.

(4) Notwithstanding anything contained in sub-section (3), every interim order (whether by way of injunction or stay or in any other manner) which was made before the appointed day on or in any proceedings relating to a pending petition [not being a pending petition which has abated under sub-section (2)], and which is in force on that day, shall if such order has the effect of delaying any inquiry into a matter of public importance or any investigation or inquiry into an offence punishable with imprisonment or any action for the execution of any work or project of public utility or the acquisition of any property for such execution, by the government or any corporation owned or controlled by the government stand vacated.

Explanation.—In this section "appointed day" means the date on which section 38 comes into force.

Presidential Powers

59. Power of the President to remove difficulties: (1) If any difficulty arises in giving effect to the provisions of the Constitution as amended by this Act (including any difficulty in relation to the transition from the provisions of the Constitution as they stood immediately before the date of the President's assent to this Act to the provisions of the Constitution as amended by this Act) the President may, by order, make such provisions, including any adaptation or modification of any provision of the Constitution, as appear to him to be necessary or expedient for the purpose of removing the difficulty:

Provided that no such order shall be made after the expiry of two years from the date of such assent.

(2) Every order made under sub-section (1) shall, as soon as may be after it is made, be laid before each House of Parliament.

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Mao Tse-tung

VERY FEW political leaders become legends in their life time. Comrade Mao Tse-tung, Chairman of the Central Committee of the Communist Party of China, who passed away on September 9, 1976, was one such leader. Adored by the Chinese people, he piloted the affairs of the most populous country of the world for nearly 27 years. And for almost the same number of years he led the communist party in a bitter struggle for the establishment of communistic rule in China.

It was on October 16, 1934, that the Red Army under Mao started the Long March. The March lasted a full year and a distance of 8,000 miles was covered "on foot, across some of the world's most impassable trails, most of them unfit for wheeled traffic". Throughout the Long March, the Red Army attracted the peasants to them, educated them and recruited them. The army fought its way out of many lines of defence put up by Chiang Kai-shek's troops. Of the 100,000 strong Red Army, hardly 20,000 survived till the end. Said Mao: "The Long March is also a manifesto. It proclaims to the world that the Red Army is an army of heroes".

The Red soldiers under Mao had to follow three rules: (a) prompt obedience to every order; (b) no confiscation from peasants; (c) prompt delivery to headquarters of all goods confiscated from landlords. To these were added another eight points which ultimately found their way to the Red Army song. In 1947, the following two points were included: (i) Don't flirt with women and (2) Don't kill prisoners of war.

Author of the dictum that "political power grows out of the barrel of a gun", he had the distinction of ruthless use of the power he had acquired. And in the process he changed the "sleeping giant" — a popular name for China before 1949 — into a powerful country with its extremely regimented population and centrally controlled economy.

Mao taught the Chinese to be self-reliant. In times of distress, he made them work out their own solutions to problems. In a recent earthquake more than a million people are reported to have died. The material loss was also immense. But the Chinese grappled with this problem with fortitude. They refused to go round the world with a beggar's bowl for assistance to face this calamity.

Between 1949 and 1970, Mao laid the foundations of a communist society in China which in addition to the dialectical materialism of Marxism also included the Chinese moral values. He believed that it was men and not materials which were decisive in a class struggle and he tried to mould Chinese society according to his own thoughts. Not that he had easy success in his efforts. The cultural revolution of 1966-69 was a great experiment to keep the flame of revolutionary fire burning. The hardships caused were however unprecedented and the story of the sufferings of the people would perhaps never be told.

An uncompromising leader of men, he led his country into many conflicts with neighbours to assert the supremacy of the Chinese race. Within two years of gaining control of China, he thrust the Chinese army into the Korean war. When the US forces crossed the 38th Parallel, China "was forced to intervene" according to Chou En-lai. On June 1, 1951, President Truman threatened to use the atom bomb in Korea. Mao in his characteristic way said that the atom bomb was a "paper tiger" of which the Chinese were not afraid. His argument was that the Chinese had only a few big cities. Even if they were destroyed by atom bombs, the bulk of the Chinese people would still survive as they lived in rural areas. It also showed the extent to which Mao was determined to go in the Korean war. He supported insurgencies in many countries and broke relations with the USSR which had given substantial assistance in the initial years. In 1962, his armies occupied sizeable northern areas of our country bringing to an end the era of "Hindi-Chini Bhai Bhai" which hardly lasted a dozen years. With extreme arrogance, Mao started

creating a separate power bloc despite earlier professions of adhering to the five principles—Panchsheel—adopted by the non-aligned nations.

From 1970 onwards, there was some change in China's foreign policy inspired mostly by its hardening attitude to the USSR. Entry into the United Nations increased contact with the outside world. Then came in 1972 the historic visit of US President Richard Nixon to Peking and his parleys with Mao. Symbolically, China ended its isolationist policy and sought credits from the USA and west European countries, and also obtained technical aid from wherever it could be had.

But before resuming contacts with the outside world, China had proved that through its own efforts it could generate sufficient wealth—both material and technical—to make the atom and hydrogen bombs. And in the economic sphere, the progress attained through collectivization and communes was not of a mean order. Because of paucity of statistical information, it is difficult to measure the level of living attained in China. The World Bank Atlas has given an estimate

based on whatever information was available to it. With a population of 811 millions, China had per capita Gross National Product of the order of \$270 which was almost double of our country.

After Mao, who? This question has baffled many China-watchers but it appears that the struggle is going to be bitter. Ultimately, it may be collective leadership because no veteran is likely to take the place of Mao. With indomitable courage, Mao had dared to face a split in the world communist movement in the belief that he was right. And he did not waver in his belief till the end.

The Chinese nation has paid Mao the best tribute by refusing to share its grief with the outside world. No representative of any foreign government or any fraternal party or any friendly individual has been invited to take part in the ceremonies mourning Mao's death. Rightly, President Fakhruddin Ali Ahmed described Mao, in his message to the Chinese Head of State, as "a great leader of the Chinese people". He lived for his people and he used every iota of his energy till the end for bettering the lot of his people.

The outlook for steel

WITH THE production of mild steel—both in terms of ingots and saleable steel—at the six integrated steel plants at Jamshedpur, Burnpur, Bhilai, Rourkela, Durgapur and Bokaro during the first five months of the current financial year exceeding by a substantial margin the output during these months last year, the Steel Authority of India (SAIL) appears to be confident that not only would the target set for the year be achieved, but it might even be surpassed. In terms of ingots, the output during the five months to August aggregated to approximately 3,276 million tonnes—23.2 per cent more than that in the corresponding period last year and 2.4 per cent more than the proportionate target for the period. The production of saleable steel amounted to 2,686 million tonnes, as compared to 2,156 million tonnes, showing an increase of 24.6 per cent. The proportionate target for the

five months was exceeded by 6.6 per cent.

The overall production from the six plants is targetted to be raised this year to 8,205 million tonnes in terms of ingots and 6,465 million tonnes in terms of saleable steel from the last year's level of 7,251 million tonnes and 5,778 million tonnes, respectively. The production trends, in fact, would have been even better had power availability been adequate, particularly in the month of April, primarily from the DVC network which toll upon the output at Jamshedpur and Durgapur. Whereas all the other plants have shown sizeable increases in their production, the output at Jamshedpur has been slightly lower than the proportionate target both in terms of ingots and saleable steel and at Durgapur in terms of ingots.

Compared to the last year's output, the

production this year, of course, has been much better at all the steel plants. Bokaro has started yielding wholesome results. It is hoped that its output this year would at least go up to 900,000 tonnes of ingots and 720,000 tonnes of saleable steel from 342,000 tonnes of ingots and 150,000 tonnes of saleable steel last year. Including Bokaro, where some units of the first stage of 1.7 million tonnes of ingot steel are yet to be commissioned, the overall capacity utilisation in terms of saleable steel during the April-August period has been of the order of 86.1 per cent, compared to 85.4 per cent envisaged to be achieved in terms of the target set.

economies effected

Much more significant than the increase in output has been the sizeable economies effected over the past two years in production costs particularly at Bhilai, Rourkela and Durgapur. The production costs at the three plants for the last year are estimated at Rs 1,074, Rs 1,950, and Rs 1,466 per tonne, respectively, which compare with Rs 1,237, Rs 2,020 and Rs 1,845 on the basis of the 1973-74 costs escalated by the increases necessitated by mounting costs of inputs—both material and human. The cost of production per tonne in 1973-74 at Bhilai was Rs 887, at Rourkela Rs 1,595 and at Durgapur Rs 1,495 per tonne. The cost escalation at the three plants between 1973-74 and 1975-76 is estimated to have been of the order of Rs 350, Rs 425 and Rs 350 per tonne, respectively. There has, thus, been a decrease in cost to the extent of Rs 163 per tonne at Bhilai, Rs 70 at Rourkela and Rs 379 at Durgapur.

With the efforts at reducing costs being continued and the scale of production being expanded through fuller utilisation of capacities, some further decreases in cost are not ruled out this year. The steps taken to bring down production costs include: (i) a close look at the gas balance and impressing upon the Coal India Ltd to improve V.M. in coal with a view to progressively decreasing the use of costly materials such as furnace oil and naphtha; (ii) improving the life of ingot moulds and bottom plates and manufacture of these materials internally in the plants; (iii) reduction in the consumption of stores

and spares and undertaking of the manufacture of high quality and costly spares within the plant facilities; (iv) improving and rationalising of internal transportation facilities with a view to bringing down dependence on contractors; and (v) improving of the product-mix to suit the changing demand pattern.

marketability

In line with the increase in production, concerted efforts are being made to increase the marketability of products both at home and abroad. It is encouraging to note that not only has the demand from the export sector of the engineering industry gone up but also there are indications of revival of demand for the production of consumer durables. Exports this year are envisaged to be raised to as much as 2.5 million tonnes—one million tonnes of pig iron and 1.5 million tonnes of saleable steel—which would net foreign exchange worth nearly Rs 300 crores. Last year, exports aggregated to nearly 797,930 tonnes—291,604 tonnes of pig iron and 506,326 tonnes of steel—which brought in foreign exchange worth slightly more than Rs 110 crores. Already in the first quarter of current financial year, exports have aggregated to about 671,000 tonnes valued over Rs 81 crores.

Apart from pig iron, the products exported include billets, bars and rods, rails, structurals, slabs, GC sheets, wires and ER tubes. The most significant achievement on the export front has been the despatch of rails to Iran, South Korea and Egypt to their specifications for which special steps had to be taken on the manufacturing side. Exports are being effected to a large number of countries including Japan, Yugoslavia, Iran, Bangladesh, Sri Lanka, Syria, Egypt, Kenya, Indonesia, South Korea, Kuwait, Dubai, Abu Dhabi, Poland, Romania, Venezuela, the Philippines, Mexico and Jordan—the last six markets have been fed for the first time this year.

The improved production also has had its impact on the imports of steel, which went down substantially last year and considerably further during the first quarter of the current year. These imports aggregated to 1.2 million tonnes, valued at about Rs 411 crores, in 1974-75. Last year

they dropped to just about Rs 150 crores worth. This year they are expected to be of the order of about Rs 110 crores. Thus, for the second year in succession, we will be a net exporter of steel. The imports consist primarily of categories which are not either produced within the country or the production of which is inadequate.

A substantial dent is likely to be made further on imports with the diversification envisaged in the production pattern particularly at the Rourkela steelworks, stepping up of the production of flat products at Bokaro and the attempts being made to diversify the production pattern of the mini steel plants to include alloy and special steels. Temporarily though, the current production of alloy and special steels has made the availability of these steels very easy. This is said to be having some adverse effect on the production at the Durgapur alloy steel plant and the Bhadravati special steels project. This situation, however, should improve considerably in the coming months as demand picks up further.

The distribution pattern admittedly has been rationalised a great deal in the last two years, through the establishment of an increasing number of stockyards all over the country. But a ticklish situation seems

to be arising as a result of the insistence by railways in the recent months on the movement of rake loads of 2,000/2,200 tonnes per destination, as against just about half this quantity a few months ago. Most of the stockyards do not have facilities to handle such large consignments. The plants also are understood to be finding it difficult to assemble such large quantities at a given time. The plant storage bays as well do not have either siding or crane facilities to load 2,000/2,200 tonnes in a tight span of time allowed for loading. The large consumers supplied directly from the plants too are facing difficulties not only in regard to handling and storage but also in respect of the finances required.

The new pattern of movement by railways is stated to be resulting in heavy demurrage charges on both the customers and the stockyards. The removal of the tolerance (carrying capacity $\frac{1}{8}$ minimum chargeable weight) that was available in loading wagons is further pushing up freight per tonne which may upset transportation and distribution arrangements leading to avoidable shortages and gluts of supplies in various parts of the country. No doubt, the railways have to improve their operations. But surely steps towards

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The Report of the Sub-Committee of the Consultative Committee of Economists which was charged with the task of examining and reporting on the American proposals for expansion of world trade and employment is a welcome addition to the growing literature on the subject. Since these proposals were published, several articles have appeared in these pages including contributions from academic economists which examined them from every possible angle and at close and long ranges. Nevertheless the able and admirable survey which the Economists of the Consultative Committee have presented and their detailed comments and recommendations on the proposals deserve the special attention both of Government and the public. They have set out what according to them are the essentials of an appropriate commercial policy for India. Such a policy, while it should be shaped primarily

with India's own needs, must also, it is recognised, take into account wider considerations. It should be so adopted as to enable India to take a place in the world economy on a co-operative basis with a view to assisting the constructive effort which is being made for economic harmony and all sided progress. But they rightly affirm that the task of securing a rapid and substantial rise in India's national income necessarily involves the adoption of a programme of planned economic development and for this purpose India must equip herself with all the necessary instruments of regulation, control and direction of trade and enterprise. Unfortunately the American proposals do not seem to recognise this need. Nevertheless it is the belief of the economists that it will not be in India's long-term interest to miss the opportunity of placing her point of view before a World Conference.

this ought to be taken giving enough time to the users for strengthening or augmenting their loading and unloading facilities. It is hoped that the above complications will be amicably sorted out expeditiously.

In the interest of steadily improving further the tempo of production, it will be desirable that the ministry of Energy bestows concerted thought on augmenting the electricity generation facilities, parti-

cularly in Orissa, Madhya Pradesh and the DVC area. The generation facilities are stated to be just adequate for the current levels of production at the various steel plants. Even slight dips in generation affect supplies to the plants. The case of Orissa, in fact, needs to be considered in the interest of expanding the capacity of the Rourkela steelworks which task may have to be taken up in the near future.

The mounting food stocks

WHAT SHOULD be the optimum level of buffer stocks of foodgrains? Should there be a single rice zone for the south as proposed by the chief minister of Andhra Pradesh? Both these questions demand an examination of the strategy in respect of procurement operations out of kharif and rabi crops in the 1976-77 agricultural season. It is necessary to examine how the unprecedented high level of stocks of foodgrains can be stored and how support operations in the coming months may be conceived.

The committee which went into the question of food stocks recently has suggested to the government that base stocks of foodgrains should be 10/12 million tonnes, operational stock five million tonnes and peak stock three million tonnes, meaning thereby that an aggregate of 20 million tonnes of foodgrains can be maintained at the peak level. The union ministry for Agriculture is already experiencing serious difficulties in storing foodgrains and it was only recently indicated by Mr. A. P. Shinde, minister of state for Agriculture, that 12 million tonnes are being stored in the godowns and five million tonnes kept in the open in air-strips, open spaces and the like. In view of the reduction in off-take from fair price shops and the prospects of bumper kharif harvest being reaped again in the last quarter of this year, the central government has eventually decided that fresh purchases of foodgrains in overseas markets should be suspended. This decision should have been taken even in January this year when there was a flood of imports under earlier

commitments and the procurement operations in respect of rice were proceeding exceedingly well.

The estimates of optimum levels of buffer stocks for basic and operational levels have obviously been considered desirable to avoid a further building up of stocks on account of the difficulties in storage and the possibility of pilferage and the like, after the procurement purchases have been completed. It must be said that the earlier fears of a repetition of the happenings of the last drought, when buffer stocks of nine million tonnes had to be run down to less than two million tonnes in order to feed the population and an anxiety to arrest galloping inflation with the elimination of scarcities of essential commodities, were responsible for massive purchases of seven million tonnes of foodgrains in 1975-76 involving an outlay of foreign exchange of over Rs 850 crores. These heavy imports as well as a bumper output of 118/119 million tonnes have resulted in a big bulge in buffer stocks.

The outstanding procurement credit on June 27, 1975 was Rs 795.43 crores. With large off-take through fair price shops and the hangover of lower output in the previous agricultural season, procurement credit dropped to Rs 575.66 crores on August 27, 1975 representing a net decline of Rs 219.97 crores in two months. The deliveries against purchases in foreign countries were probably coming in slowly. By the end of October 1975, however, there was a rise in food credit by

Rs 165.48 crores to Rs 741.04 crores, by Rs 191.12 crores to Rs 932.26 crores on December 26, 1975 and by as much as Rs 584.56 crores to Rs 1,516.82 crores on March 26, 1976. The peak level of Rs 2282.90 crores was touched on July 9, 1976.

worries of affluence

On the basis of these trends and expectations of a good yield of kharif crops, what will be the fresh additions to buffer stocks and what will be the responsibilities of the union ministry of Agriculture in the coming months? The chief ministers of Punjab, Haryana and Andhra Pradesh are obviously worried about the prospect of a further accumulation of stocks out of kharif crops and the emergence of a difficult situation in which even support operations may be found impracticable if appropriate changes are not made in zones for wheat and rice. Already Andhra Pradesh is holding over 1.3 million tonnes of rice in its region and large stocks are still held by millers and farmers. With the kharif crops due to arrive in the next few weeks Mr J. Vengal Rao, chief minister, Andhra Pradesh, has been impressing upon the centre the need for lifting stocks from the state and also declaring that the southern states will form a single rice zone. In Punjab and Haryana too food stocks are still maintained in an unconventional manner in high schools, railway platforms and open spaces. The real problem may arise when the wheat crop arrives in April/May next year. But the output of rice is expected to be quite good, and Punjab and Haryana may be making sizable contribution to the central pool.

Will it be possible to restrict the peak level of stocks to 20 million tonnes by March next even with a suspension of imports? In the subsequent months too unprecedented situations may arise if the rabi crops prove to be satisfactory, as they are likely. What then should be done in the present context? There has not been any big reduction in food credit since July 9, 1976 when the peak was touched. The drop has been only Rs 119.38 crores up to August 27, 1976 while there was a decline of as much as

Rs 219.97 crores on a comparable basis in 1975. There was a rise in procurement credit by Rs 941.16 crores in seven months ended March 26, 1976. This increase in credit probably took place even with financing by the centre of some portion of imported foodgrains. The disgorging of stocks held by farmers and record rice procurement resulted probably in an increase of stocks by seven million tonnes from indigenous sources even after meeting the requirements of fair price shops. Even allowing for some exaggeration on account of heavy imports, the additions to buffer stock from indigenously procured foodgrains could have been about five million tonnes.

There may not probably be the same increase in food stocks till the end of October as imports even against earlier purchases may be received only in small quantities. However, there is a possibility of farmers disgorging their stocks, if the yield of kharif crops happens to be around 68 million tonnes, if not 70 million tonnes. It can also be anticipated that rice procurement will exceed six million tonnes as the standing crops in Punjab, Haryana, West Bengal, Madhya Pradesh and Andhra Pradesh are reported to be in good condition. Even with the possibility of lower output in Orissa and Tamil Nadu due to unfavourable weather condition, rice output may again be in excess of 50 million tonnes in both seasons. It will not be surprising therefore if net increases in buffer stocks up to March next year happen to be about five million tonnes and by July next year nine million tonnes. Can the Food Corporation and other agencies contemplate with equanimity a peak level of 22 million tonnes in March 1977 and 26 million tonnes in July 1977?

special responsibility

The central and state governments will have a special responsibility in carrying out support operations in the coming months. These can be satisfactorily discharged only if, as Mr Vengal Rao has suggested, the four southern states are formed into a single rice zone and Maharashtra is given a special quota of 400,000-500,000 tonnes of rice out of the surplus of the southern zone in 1976-77. Aggregate production in this zone may be

easily 27.3 million tonnes against 25.9 million tonnes in 1975-76 and only 21.68 million tonnes in 1974-75. Even with a drop in the kuruwai crop in Tamil Nadu and drought in certain parts of Karnataka, the estimates may not be adversely affected as Andhra Pradesh will be offsetting any shortfall in these states. It can also be expected that there will be a good crop in rabi season in Tamil Nadu with a satisfactory north-east monsoon. If the southern zone is not formed immediately there may be a crash in open market prices and stocks against support pur-

chase may be difficult to be stored. Similarly, there will have to be an enlargement of the rice zone in north-east India. It will also be advisable to increase the rations in Kerala and in the statutory areas of Bombay and Calcutta. Likewise, the wheat zone will have to be enlarged in north India and the decisions in this regard taken by March next year. Without a careful appraisal of the whole situation and quick decisions the problems of plenty may give rise to headaches more serious than those experienced during periods of drought.

Role of research in jute

AT THE annual general meeting of the Indian Jute Industries' Research Association (IJIRA), held in Calcutta on August 29, Prof. D.P. Chattopadhyaya, the union Commerce minister, reminded the industry of the vital importance of promoting research both in the field and in the factory. He urged the industry to spend more funds on research for improving the production of raw jute and the yield per acre and for finding new uses for jute goods. He suggested that fine hessian could be used as a substitute fabric for fine guage tufting and also to produce fibre reinforced laminates which have many advantages over fibre glass

facilities needed

Despite scarcity of funds and uncertainty of the export prospects, the jute industry has been doing a great deal for promoting research but it can achieve more success only if the government of India and the state government concerned provide better facilities and take greater interest in this work. For instance, for over a decade, the yield of raw jute per acre has remained at about 2.79 bales. Some of the impediments to increasing the yield have been the shortage of good quality seeds, lack of money with cultivators for buying fertilisers, inadequate arrangements for the supply of seed drills, sprayers, and other agricultural implements, and insufficient facilities for retting. These deficiencies have been per-

sisting for the past many years. Prof. Chattopadhyaya informed the IJIRA that Mr Jagjivan Ram had asked him to tell its members about the importance of research and development. But the Commerce minister should also impress on his colleague in charge of the ministry of Agriculture and Irrigation on the need to give greater attention to the raw jute cultivation.

infrastructure

It is also essential to improve the infrastructure for the grading and marketing of raw jute by providing facilities for assorting, grading, bailing and storing. Encouragement to the utilisation of jute sticks is another aspect to which research should give more attention. For every maund of jute yield, it is estimated that there are two maunds of jute sticks. Research activities to increase the yield per acre and improve the yield will produce the desired results only when the cultivators are assured of fair prices and when they get the incentive and facilities to produce more. But, in implementing the pricing policy, the government should give proper consideration to the fact that a large quantity of jute goods has to be sold abroad in the face of acute competition.

The jute industry has been often criticised strongly for its failure to appreciate the importance of research and for not setting aside sufficient funds for this purpose. It is true that the industry has not

done as much as it should have, for promoting research which is so essential for its survival. But it should be realised that in recent years the industry has been passing through one crisis after another and that its finances have been severely affected. Even so, the industry has been making commendable efforts to diversify its production. For instance, bleached and dyed jute speciality products for decorative end-uses have been developed. New bleaching, dyeing and finishing techniques are being evolved. It is significant that the export of jute speciality fabrics increased from about two million yards in 1969 to nearly eight million yards in 1975.

Other research activities that have been undertaken recently relate to the development of fabrics of special construction for carpet backing, an alternative lubricant for jute, which helps to eliminate the need for jute batching oil, and redesigning the traditional jute woolpack with particular reference to the markets in New Zealand and Australia. Studies have also been taken up for improving productivity in mills and for reducing waste. The research programme includes work on the development of lighter and cheaper construction of cotton bagging, production of blended yarns from jute, synthetics and wool, baler twines, fire retardant barrier fabrics, and elastic jute fibres through chemical treatments.

development of fabrics

The government of India should provide more funds in order to expedite the implementation of these and the other research schemes. The Jute Manufactures Development Council recently suggested that the cess rate on jute goods should be increased to enable it to raise more funds. The present cess at 12 paise for jute goods worth Rs 100 is expected to yield only about Rs. 50 lakhs annually on the basis of a monthly output of 80,000 tonnes. The projects prepared by the IJIRA and other research bodies are estimated to need Rs 87 lakhs in the current year. The government should liberally provide the necessary financial assistance for research but make sure that the funds are promptly and effectively used. It may be recalled that at the inaugural function of the Jute Manufactures Development Council held in April this year, Mr. J.P. Goenka, the

Council's chairman, said that the net amount that would be available from the cess at the existing rate would be hardly sufficient to keep up the present level of activity of the IJIRA. He suggested that the government should examine the possibility of collecting the cess through self-assessment by the industry as in the case of excise duty collection, so that the payment of collection charges of Rs 8 lakhs to the excise authorities could be saved and used for research. The government should favourably consider this proposal.

But ultimately the success of the jute research programmes will depend on how soon the industry will be made viable and can operate on a profitable basis. The multinational corporations are spending billions of dollars on the development and promotion of synthetics to displace jute. But the Indian jute industry continues to face a critical situation because of the fall in foreign demand for its products. Therefore, while urging the industry to give more importance to research, the government should create such conditions as will enable it to face the future with confidence and undertake schemes for reducing the cost of production and the promotion of research and development.

Meanwhile, New Delhi should take the initiative in regard to the finalisation of the constitution of the Jute International

so that joint efforts can be made by the jute producing countries to promote research and meet the increasing challenge from synthetics. In October last, a meeting was held in New Delhi among the representatives of India, Bangladesh and Nepal to consider the constitution of the Jute International. But no information is available as to when it will start functioning in right earnest. Dacca's rather unfriendly attitude to India in recent weeks seems to show that the jute industry of Bangladesh will not be keen to cooperate with its counterpart in our country in order to strengthen research activities and ward off the threat from synthetics. On the other hand, Bangladesh continues to offer stiff competition to India in many important markets.

For instance, in the first five months of 1976, Britain's imports of jute goods from Bangladesh increased to 8137 tons from 3422 tons in the corresponding period of 1975 while imports from India rose only marginally from 2799 tons to 2906 tons in this period. Dacca is reported to be under-cutting Calcutta's prices in most varieties of jute goods. This may be in Dacca's interest for the time being. But ultimately Dacca's jute industry will also suffer if timely and concerted action is not taken to make jute products cheaper, to find new uses for them, and to explore new markets.

RECORDS AND STATISTICS

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CAPITAL'S CORRIDORS

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NTC towards breaking even • Fuller utilisation of industrial capacities • Bank of India's performance • AIEI survey

THE CHAIRMAN of National Textile Corporation, Mr K. Sreenivasan, disclosed at a press conference here last week that his organisation had been able to reduce in July its monthly loss to just about Rs 92 lakhs from the average of over Rs 5 crores last year. He viewed the outlook for the current financial year as a whole with optimism, but hastened to add that this might have to be tempered with caution if the present uptrend in the prices of raw cotton continued. In that case, the corporation, he said, might not be able to break-even which hope was being entertained on account of the impressive improvement in operations since January when the monthly average loss started coming down.

Among the factors which had helped in bringing down the loss Mr Sreenivasan listed : (i) increase in overall production; (ii) higher sale realisations due to increased output as well as improvement in the quality of cloth; (iii) exemption granted to the loss incurring manufacturing units from the obligation of producing controlled varieties of cloth; (iv) purchase of cotton primarily (to the order of 20 per cent) through the public sector agencies; (v) reduction in labour costs, primarily as a result of the amendment to the Bonus Act; and (vi) scaling down of allocation for depreciation.

additional earning

The increase in production and improvement in the quality of products, Mr Sreenivasan said, had yielded in July Rs 5.61 crores additional. The routing of cotton purchase through the public sector agencies had helped in bringing down cost of stores by about Rs 13 lakhs.

There had been a saving of Rs 25 lakhs on account of non-payment of bonus to staff and another Rs 3 lakhs on account of depreciation. The exemption from the manufacture of controlled cloth had helped in lowering the loss by about Rs one crore.

Correspondingly, of course, there had been an increase in expenditure on account of higher interest charges on loans from the government, increase in the consumption of cotton as well as in cotton prices, higher fuel and power bill and larger administrative expenditure, aggregating to 2.86 crores. The net reduction in the monthly loss, therefore, had been of the order of Rs 4.16 crores.

streamlined methods

Mr Sreenivasan also revealed that the management and costing methods had been streamlined. This too had led to a good deal of improvement in the working of the corporation. Thanks to governmental loans, it had been possible to avoid distress sales of cloth which had to be resorted to last year to improve the ways and means position. The corporation was vigorously pursuing a sales drive. It had opened 100 retail marketing outlets under its own auspices and another 100 sales depots had been opened by the subsidiaries. The sale realisations in July had gone up to Rs 30.23 crores from the average monthly level of Rs 21.04 crores last year.

The corporation, Mr Sreenivasan added, was going ahead with the rehabilitation and modernisation of the various mills under its charge numbering over 100. A sum of Rs 67 crores had already been

sanctioned for this purpose out of which Rs 36 crores had been spent on installing new machinery and equipment. A five-year corporate plan for modernisation was currently being drawn up; it was expected to be ready by the end of this year. Involving a sum of approximately Rs 200 crores, this plan would enable the corporation to modernise its mills at a more rapid pace than has been the case in the past. The new modernisation programme will enable the corporation's units to produce high-priced blended fabrics on an increasing scale. Facilities for the production of such fabrics are available only with very few mills of the corporation at present.

The corporation plans to export grey cloth to the tune of about Rs 20 crores this year, as against last year's exports worth Rs 15 crores. The total turnover of the corporation this year is expected to be around Rs 300 crores—about Rs 50 crores more than last year.

* *

In pursuance of its drive towards better utilisation of the already installed industrial capacities, the union ministry for Industry has decided that those undertakings in 65 selected industries which had earlier got their licences endorsed for increased capacity in terms of the relaxation announced on January 1, 1972, will now be eligible for the normal permissible increase in production by 25 per cent over their enhanced capacities. This, however, would be subject to two conditions, namely, (i) no additional plant and machinery is installed except minor balancing equipment procured indigenously, and (ii) no additional expenditure of foreign exchange is involved and the extra production does not occasion any additional demand for scarce raw materials.

In the press note dated January 1, 1972, the government had announced the following liberalisations in industrial policy with a view to securing fuller utilisation of the then existing plants and machinery in the case of 65 specified industries; (a) wherever the licence issued to a party mentioned a certain capacity, specifically on the basis of one or two shift working, the party would be allowed an increase in its licensed capacity on the basis of maximum utilisation of plant and machinery, and (b) in other cases, the

normal relaxation of increasing the production by 25 per cent of the licensed capacity would be enhanced up to a maximum of 100 per cent. It was clarified in that notification that in respect of industrial undertakings entitled to the above concessions, the facility for further enhancement of production by 25 per cent admissible to all industries would be subsumed and that once the licences were re-endorsed, the undertakings would not increase production by 25 per cent over the revised licensed capacity.

This decision was amended in January, 1975, when the government announced that the industrial undertakings which still held industrial licences specifying capacities on single or double shift basis could apply for endorsement of maximum utilisation of plant and machinery. This liberalisation was admissible to all industries. The facility of increasing the production upto 25 per cent of the capacity licensed subject to the prescribed conditions was available to these industries.

The latest decision rationalises the position in regard to the 65 industries covered by the January 1, 1972, notification and will help in expanding their production also by 25 per cent over the endorsed capacities.

The Bank of India, which has considerably improved its operations since nationalisation by going to the semi-urban and rural areas, is adding new dimensions to its working by setting up two new divisions, namely the international banking division and the merchant banking division. The need for setting up the international banking division has been felt not only because of the increased foreign exchange business being handled by the bank, but also due to the sea-change that is taking place in the international monetary mechanism and the increasing enterprise being shown in the Indian industry. The merchant banking division has been planned with a view to assisting small and medium entrepreneurs through conducting investment studies for locating new and favourable opportunities for capital investment, preparing technical and financial feasibility reports and negotiating loans from financial institutions.

The bank is also introducing for the

benefit of those having fixed deposits with it, from the next month, a fixed deposit linked Janta personal accident scheme under which any person within the age group 16 to 60 years depositing Rs 500 for a period of 61 months or more will be covered for personal accident insurance of Rs 10,000 from the date of deposit of its entire duration. The insurance premium will be borne by the bank and the rate of interest payable to the depositor on his deposit on maturity will be 10 per cent per annum (simple). Initially, the insurance policy will be for one year. It will be renewable annually till the maturity of deposit.

rural orientation

The rural orientation of the bank since nationalisation is evident from the fact that out of the total 950 branches which it had on June 30, 1976, only 370 were located in urban and metropolitan areas. The rural branches aggregated to 337 and the semi-urban branches to 243. On July 19, 1969, at the time of nationalisation, the bank had 270 branches—174 branches in the urban and metropolitan areas and only 43 and 53 branches in the rural and semi-urban areas. Of the 680 branches opened since nationalisation, 300 are in the rural areas and the same number in the backward districts. The bank has also adopted 279 villages for comprehensive development.

The assistance of the bank to the priority sectors has multiplied fast. Whereas in July, 1969, its outstanding loans to agriculture amounted to only Rs 9.63 crores spread over 18,149 accounts, they had gone up to as much as Rs 72.26 crores in March this year covering 113,554 accounts. The outstanding loans to small-scale industries, which covered 2,550 accounts and aggregated to Rs 12.73 crores in July, 1969, had gone up to Rs 76.98 crores covering 19,428 accounts. Assistance to the tune of Rs 1.22 crores had been made available by the bank for setting up three industrial estates by December, 1974. It went up to Rs 1.80 crores by December last year and Rs 2.25 crores in March last. The other beneficiaries of increased assistance from the bank have been the road and water transport operators, retail trade, small business, profes-

sional and self-employed persons and students going in for higher studies. The number of accounts assisted by the bank in the above priority sectors, including agriculture and small-scale industries, has gone from 21,549 in July, 1969, to 188,973 in March last. The outstanding loans against these accounts during this period grew from Rs 24.22 crores to Rs 183.40 crores. The bank's financing of exports too has nearly quadrupled from Rs 25.6 crores in June, 1969, to Rs 103.02 crores in June last. A good deal of work has been done by the bank for entrepreneurship development. Another important activity that has been undertaken is participation in the slum clearance programme.

The total deposits of the bank now exceed Rs 1,270 crores, as against Rs 435.88 crores in 1969. The advances during this period have grown from slightly less than Rs 300 crores to over Rs 800 crores. The net profit earned last year amounted to Rs 3.2 crores, as against Rs 1.61 crores in 1969.

The engineering industry is more optimistic about export prospects during the current financial year than it was during the six months October, 1975—March 1976. This is revealed in a study of engineering export trends just completed by the Association of Indian Engineering Industry (AIEI) based on the response from 114 select engineering exporters.

Sixty one per cent of the respondents expect improved export prospects during April '76—March '77, as against 34 per cent expressing this optimism in October, 1975, for the period October '75—September, 76. Similarly, only 6 per cent are pessimistic about export prospects during 1976-77, as compared to 25 per cent in the previous period.

Sixty-five per cent of the respondents have forecast an improvement in value of new export orders during the six months ending September 1976, as against 43 per cent reporting this for the period October, '75—March '76. The values of export deliveries are expected to be higher in the six months ending September '76 according to 67 per cent of the respondents, as compared to 38 per cent reporting this for the period October '75—March '76.

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Management of cash in public enterprises

Dr. R. K. Mishra*

The author has come to the conclusion that much remains to be done to exploit the tool of cash management for optimising the rate of return on capital employed in public enterprises. He feels that the existing arrangements in connection with financial sanctions and delegation and decentralisation of the authority are such that demands for funds get automatically inflated. He has suggested that the procedural set-up for cash planning and control should be systematised and the tendency to equip lower and middle management personnel with more financial powers should be encouraged.

PUBLIC ENTERPRISES have been chosen as vehicles of economic development of India. On their successful performance and rapid growth depends the economic bounty of the country. It is in this context that an increasingly heavy emphasis is being laid towards making capital employed in these enterprises productive. One widely held determinant of this productivity is the computation of the rate of return earned on capital employed. The rate of return on capital employed is the end result of the multiplication of turnover and margin. In any attempt to boost this rate of return, attention has to be directed to each such factor which can influence either of these components or simultaneously both of them. Cash being a factor of latter nature, its effective and efficient management provides an important clue to making capital employed in these enterprises productive. The intent of this article, therefore, is to study the dimensions, process and problems of cash management in public enterprises.

the twin view

The study of dimensions, process and problems of cash management pertaining to public enterprises may be done by highlighting trends in their size and adequacy of cash and critically examining their procedures for its planning and control. This

makes it necessary to include the twin view, i.e. macro-micro view of cash management, concerning public enterprises. Thus the study of trends in the size and adequacy of cash has been done in relation to "running industrial and commercial undertakings" of the central government and the process of planning and controlling cash bears reference to the Hindustan Steel Limited (HSL). Considerations such as the size, complex operating cycle and importance from the angle of economic development programme have led to the selection of HSL from among 122 "running undertakings" of the central government in 1974-75 to focus the micro

POINT OF VIEW

view of cash management in public enterprises.

In 1974-75 with an investment of Rs 1025 crores and a turnover of Rs 978 crores, HSL accounted for 14.1 per cent of the total investment in 122 industrial and commercial undertakings of the central government and 9.9 per cent of their total turnover. Incorporated in 1954 initially for the management of Rourkela Steel Plant, the management of Bhilai and Durgapur steel plants were also transferred to HSL in April 1957. The authorised capital of this concern was initially Rs 100 crores which was raised to Rs 300 crores in April 1957. The three steel plants of

the company came into operation in 1960-61. Again in March 1962, the authorised capital was increased to Rs 600 crores in

TABLE I
Size of Cash and Value of Sales of Running Industrial and Commercial Undertakings of the Central Government

Year	Size of cash (Rs in crores)	Value of sales (Rs in crores)
1960-61	2.37 (100.0)	212.00 (100.0)
1961-62	Not available	283.00 (133.5)
1962-63	33.00 (1392.4)	400.00 (188.7)
1963-64	53.50 (2384.0)	559.00 (263.7)
1964-65	72.60 (3063.3)	659.00 (310.8)
1965-66	64.00 (2704.0)	861.00 (406.1)
1966-67	79.00 (3333.3)	1395.00 (658.0)
1967-68	107.00 (4514.8)	1831.00 (863.7)
1968-69	121.00 (5105.5)	2427.00 (1144.8)
1969-70	128.00 (5400.8)	2976.00 (1405.7)
1970-71	147.00 (6202.5)	3285.00 (1549.5)
1971-72	179.00 (7552.7)	3942.00 (1859.4)
1972-73	238.00 (10042.1)	5262.00 (2482.1)
1973-74	298.00 (12573.8)	6777.00 (3196.7)
1974-75	N.A. (—)	10217.00 (4819.8)

Note: Figures in brackets represent base year percentage growth.

Source: Bureau of Public Enterprises (Ministry of Finance, Government of India, New Delhi), "Annual Reports on the Working of Industrial and Commercial Undertakings of the Central Government for the years 1963-64 to 1974-75" and "A Handbook of Information on Public Enterprises (1969)".

view of the expansion of the three steel plants and the setting up of the alloy steel plant during the third five-year Plan period. To meet the additional requirements of the capital funds, the authorised capital was further raised to Rs 700 crores. In December 1972, the government of India decided to set up a holding company for steel and associated input industries under the name of "Steel Authority of India Limited" (SAIL) and accordingly, HSL became a fully owned subsidiary of the same.

overall increase

Table I (p. 568) depicts the size of cash and the value of sales of "running industrial and commercial undertakings" of the central government.

The table indicates that the overall percentage increase in the size of cash of running concerns had been much greater than that of the value of sales. For example, while the increase in the size of cash of these undertakings was of the order of 12473.8 per cent between 1960-61 and 1973-74, the value of sales could increase only by 3096.7 per cent during this period. The authorities on business finance have held that increases in sales are normally associated with by 'larger bank balances',¹ the growth of which according to the latest expert writings² should decrease as the size of business increases. But the actual position, as is evident from Table I, was quite contrary, which only shows that there existed bright scope of reducing the size of cash in public enterprises. The findings on the adequacy of cash in public enterprises fully support this conclusion.

Business enterprises have to keep cash to meet their daily operational requirements and to maintain liquidity and solvency continually. Both these functions are of paramount importance to the very existence of an enterprise in the business world. The sufficiency of cash in terms of fulfilment of current operational requirements of a business enterprise is judged by the computation of basic defensive interval ratio³ (i.e., the ratio of quick assets to total operating costs). The product of this ratio when divided by 365, gives the number of days a firm can operate on existing cash reserves without resorting to

cash flows from sales or other sources. The computation of various ratios has been suggested to find out liquidity and solvency position of a business enterprise.⁴ Of these, two very popular ones are related to the computation of the current and the quick ratio. Attempts have been made to measure the liquidity and solvency position of public enterprises by the computation of these ratios.⁵ But such modern financial analysts as Professor James E. Walter, do not agree with the view that sufficiency of cash and near cash reserves guarantee the liquidation of currently maturing obligations. They, therefore, suggest that the currently maturing obligations should be matched with the net cash flows and only thereafter appropriate conclusions about the liquidity and solvency position of business enterprises should be drawn.⁶

The relationship of current liabilities with the net cash flows may be computed

as a percentage of current liabilities, and, second, the product of the ratio of turnover of current liabilities (i.e., the ratio of yearly sales to current liabilities) may be multiplied with the profit margins (i.e., the percentage of net profit to sales), which Professor Walter calls the "coverage of current liabilities". Truly speaking, all these four ratios should be computed to find out the adequacy of cash in relation to the liquidity and solvency requirements of a going concern and, therefore, of "running industrial and commercial undertakings".

Table II shows the various cash adequacy ratios for the "running industrial and commercial undertakings of the central government".

This table points out three important features of the phenomena under discussion. First, operationally public enterprises had overinvested in cash. The level of operational adequacy of cash should

TABLE II
Basic Defensive Interval, Current, Quick, Net Cash Flows to Current Liabilities and Coverage of Current Liabilities Ratios in "Running Industrial and Commercial Undertakings".

Year	Basic Defensive Interval Ratio (In days)	Current Ratio (In times)	Quick Ratio (In times)	Coverage of Current Liabilities (In percentage)	Net cash Flow to Current liabilities (In percentage)
1960-61	NA	3.4	2.5	7.6	NA
1961-62	NA	NA	NA	NA	NA
1962-63	NA	2.2	1.0	NA	NA
1963-64	NA	2.2	1.2	5.8	NA
1964-65	103	2.6	1.4	9.0	40.0
1965-66	185	2.1	1.1	5.0	25.3
1966-67	130	2.1	1.0	—	12.7
1967-68	128	2.1	0.9	—	4.6
1968-69	134	2.3	1.0	—	32.9
1969-70	123	2.1	1.0	—	55.2
1970-71	99	2.2	0.8	—	5.2
1971-72	105	2.2	0.8	—	11.6
1972-73	119	2.2	1.0	1.1	28.0
1973-74	113	2.0	0.9	2.6	—

NA—Not available

Source: Computed on the basis of data contained in the "Annual Reports on the Industrial and Commercial Undertakings" and "A Handbook of Information of Public Enterprises" (1969), Bureau of Public Enterprises, Ministry of Finance, Government of India, New Delhi.

fluctuate from time to time due to variation in the quantum of production, pattern of demand, payment of pay-rolls, availability of short-term, intermediate term and long-term credit and increase in the prices of raw materials, stores and spares, etc. But financial analysts opine that business enterprises should keep cash and near cash assets below the requirements of 30 days' normal expenditure.⁷ If cash and near cash assets happen to be more than this limit, it should be taken for granted that excessive cash is being carried by the firm.

defensive interval ratio

The basic defensive interval ratio of running concerns indicates that the minimum cash reserves kept by public enterprises in 1970-71 could finance their 99 days' operational requirements and the maximum of their cash reserves in 1965-66 were to the tune of 185 days' operational needs. Second, traditionally public enterprises were keeping enough cash and near cash assets to liquidate their currently maturing obligations. A "two to one" current ratio and "one to one" quick or acid-test ratio are supposed to be the indicators of satisfactory liquidity position of a business enterprise.⁸

Ratios exceeding these prescribed standards should generally indicate that the firm has locked up excessive cash in current assets and a reduction in the requirements for cash is possible through the careful regulation of current assets. The current and quick ratios of public undertakings indicate that while the former was above the standard in each year of the study excepting 1973-74, the latter was a little lower than its standard in 1968-69, 1970-71, 1971-72 and 1973-74. It is worth noting that in these four years the structure of current assets tended to be disproportionate in favour of inventories. The percentage of inventories to current assets in the undertakings under reference was 46.0, 50.0, 50.0, 57.0, 53.0, 57.0, 62.0, 63.0, 52.3 and 52.7 respectively in the years 1964-65, 1965-66, 1966-67, 1967-68, 1968-69, 1969-70, 1970-71, 1971-72, 1972-73 and 1973-74.

Third, actually in spite of the basic defensive interval, current and quick ratios being on the high side, public enter-

prises were cash tight. The net cash flows as percentage of current liabilities were quite inadequate and the coverage provided to current liabilities was almost non-existent. From 1966-67 to 1971-72 the coverage provided to current liabilities was nil, between 1972-73 and 1973-74 it was very meagre, and during 1960-61 to 1965-66 it was well below 10 per cent. The net cash flows as percentage of current liabilities were never cent per cent. In 1967-68, public enterprises could pay off only 4.6 per cent of their current liabilities from net cash flows. The maximum of current liabilities that they could pay off from net cash flows was 55.2 per cent in 1969-70.

The review of foregoing features of Table II points out that the quality of circulating and fixed assets management in public enterprises had been poor and their cost of production had been too high to yield any profits for them. In such situation it was urged on public enterprises to make their cash management productive by the introduction of an effective and efficient system of planning and controlling cash.

economic mechanism

An effective and efficient system of planning and controlling cash is one which optimises cash holdings and provides for the most economic mechanism for the collection and disbursement of cash. The optimisation of cash holdings depends on two elements. First, there should be a justifiably correct estimation of cash flows and, second, thus estimated cash flows should be strictly regulated. The introduction of the most economic mechanism concerning the collection and disbursement of cash envisages that cash inflows must be speeded up, cash outflows must be contained and cash flows should be synchronised. The operation of such mechanism could be made possible by the creation of a suitable organisation for this purpose.

In HSL three forecasts are prepared for the estimation of cash flows. First in the series is cash flow forecast for capital operations. This is a yearly forecast containing quarterly breaks-up of receipts and disbursements as regards capital programmes for HSL. Based on final balances

of these two and the initial figure of opening balance, it further outlines the requirements of the company in this realm. It then estimates finances from operational receipts. The difference between the requirements and finance from operational receipts is shown by the forecast as balance to be financed from government loans. The cash flow forecasts for capital operations are first prepared individually by the different units of HSL and then after due screening are compiled into one at the head office. After this, a cash flow forecast for operations other than construction is prepared. This contains estimates of opening cash balance, receipts, disbursements and net excess/deficit for the concern.

overall cash flow

Finally, a cash flow estimate for entire operations of the company is prepared which gives information about the cash inflows, cash outflows and the sources from which the gap between the two may be bridged. These forecasts are prepared on the lines of the cash flow forecast for capital operations.

The control on cash flows in the company is exercised by "weekly" and "quarterly" cash flow reports and a monthly "fund flow" statement. The weekly cash flow reports are submitted by the various units to the head office. In this report the units indicate the position of cash flows of capital as well as operational nature during a specific week.

In the funds flow statement, which is submitted monthly by the various units to the head office, changes in working capital are worked out and sources and uses of funds are ascertained. The special features of this statement are taken note of by the board as a part of review of operations for the month. The quarterly cash flow report is prepared at the head office and it forms an essential part of the "Quarterly Financial Review" which has to be submitted compulsorily by public enterprises to the ministry of Finance and their parent administrative ministries. In this report, the budgeted cash flows for a quarter are compared with the actuals for that period and the estimates for the remaining quarters of the year are indicated in the next column.

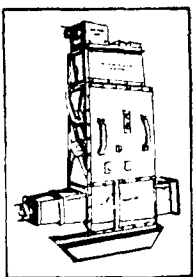
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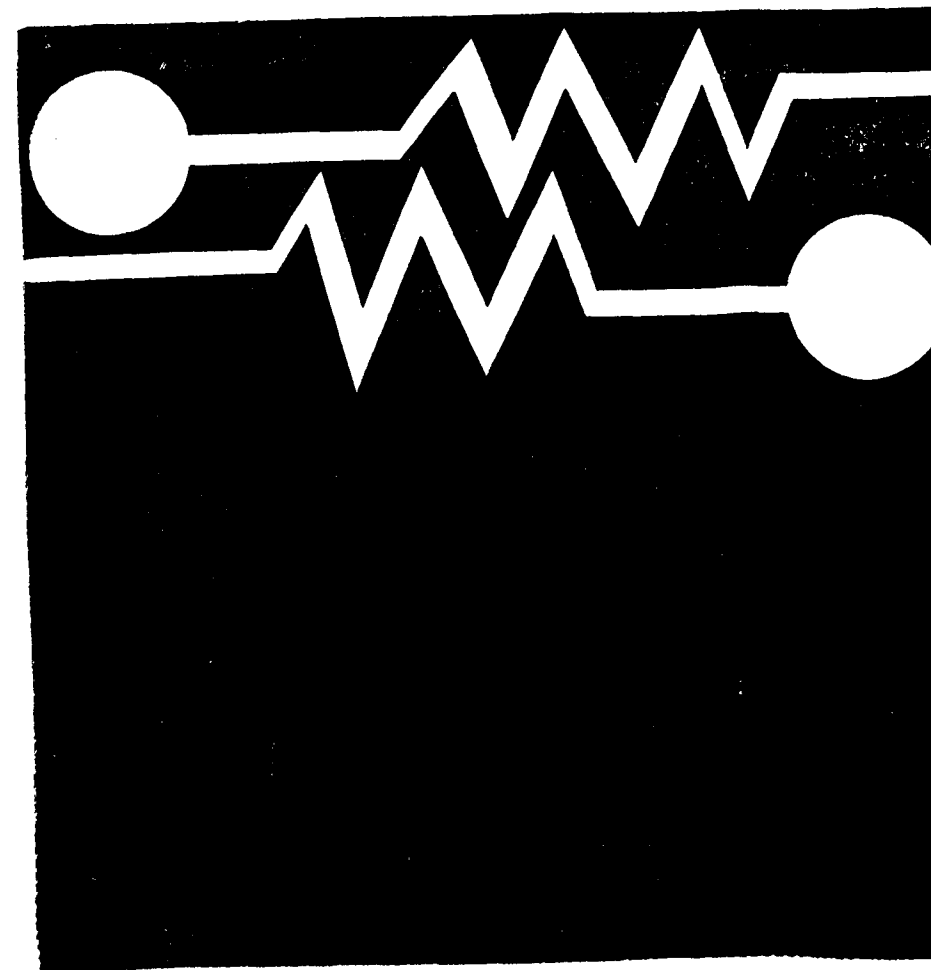
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is not being done on monthly, weekly and daily basis. Any cash planning in the absence of such an improvement cannot be expected to optimise cash holdings. Further, the weekly and monthly reports on control of cash have been of no consequence to HSL as the actual cash flows for these periods could not be compared with the programmed cash flows on account of the non-availability of information on the same.

optimisation needed

As noted earlier, the efficient and effective management of cash depends not only on the optimisation of cash holdings but also greatly on the institution of an organisation responsible for most economical administration of cash gatherings and cash disbursements. The experience of American business corporations in this connection suggests that centralisation of cash functions fulfils this requirement exceedingly well.⁹ In HSL, no central organisation for the management of cash had been in existence before October 1965. Management of cash was looked after by the different units independently during the period and the work of the head office was mainly limited to the collection of figures relating to cash for accounting purposes. But the board of directors in their meeting of May 11, 1965, expressed a deep concern over such decentralised management of cash, for 'it did not facilitate a proper planning about cash and achieving a more rational utilisation of operational funds.' Thus with a view to promoting a common company outlook, the board approved the administration of operational funds centrally at the head office. The formalities took some time and the scheme was given effect to from October 1, 1965. Under the scheme:

- the entire sales realisation from various places (where the concern had collection accounts) were transferred daily to the central account at Ranchi;
- the plants placed indents on the head office for funds for operational purposes and such funds were transferred to their respective cash credit accounts subject to availability for the central cash credit account;
- the cash credit facility was intended to be centralised at Head Office but it

was not done because the plants wanted to retain the cash credit facility to themselves.

But the board's scheme about the administration of operational funds could survive for less than a year only. Although the funds received from the steel plants were remitted to them almost in toto, there was hardly a month in which communications were not sent by the plants complaining that the head office was not providing funds as and when sought, in spite of the fact that the plants' total demands for funds often exceeded the sales realisation. The real problem was that financial discipline was lacking and the central scheme became the target of attack. The operation of the scheme was discussed at the meeting of the board on May 2, 1966, when one member suggested an alternative means of central control. His proposal was that each plant should remit to the head office an amount equal to one-twelfth of interest liability, depreciation and estimated profit and manage its finances within the balance operational funds/overdraft facilities available to it.

reversion of procedure

This suggestion was considered and approved by the board of directors and the control of operational funds was decentralised again. However, the plants did not remit to the head office in any month one-twelfth of interest liability, depreciation and the estimated profit. In fact, the plants utilised these amounts for their working capital requirements and accordingly, the diversion of operational resources to capital fell very much short of the expectations. Besides this, the plants also failed to utilise fully the cash credit facilities.

Against the limit of Rs 16 crores, as agreed to by the State Bank of India, the cash credit utilisation of the plants was generally of the order of Rs 7 crores. According to the plants' books the utilisation was of the order of about Rs 11-12 crores but as there is always a time lag between the issue and presentation of cheques, the actual utilisation was much less. Because of the under-utilisation of the cash credit facility, the State Bank of India was later reluctant to accept the request of the company to

increase the facility to Rs 30 crores. It was also seen that certain accounts had been carrying large cash balances while the plants had overdrawn on their cash credit accounts resulting in sizeable loss to the company.

Taking the above difficulties in consideration, the board of directors in their meeting of February 30, 1968, recentralised administration of operational funds with the following modifications :

- the entire cash credit facility was to be centralised at the head office. The plants were to operate on nominal current accounts, the debit/credit balances of which had to be transferred to the central cash credit account on daily basis;
- the nominal current accounts were to be operated within a ceiling determined by the head office, after taking into account the estimates of receipts and payments, interest and depreciation provisions and estimated profit/loss;
- a separate account in respect of each plant was to be opened with the State Bank of India's Doranda branch which was to accumulate all receipts and on which concerned plants were to draw for heavier payments such as excise duty, customs duty, sales tax, railway dues, etc.

separate organisation

For the implementation of the above scheme, the finance division of the concern created a separate organisation by the name of "cash section", which is being headed by an accounts officer. Apart from the administration of operational funds centrally, the "cash section" was also put in charge of the functions such as the preparation of long-term forecast relating to the generation of cash and its utilization, repayments of the government loans, drawing of funds from the government and maintenance of current accounts balances. The administration of operational funds centrally has brought about the following gains for the company :

- As the case balance/overdraft merge into a single account maintained at Ranchi, there has been a considerable saving in interest charges.
- It has resulted in optimum utilisation of each credit facility as the entire facility is viable through a single account

at Ranchi instead of number of accounts as per the practice prevalent before February 20, 1968.

(c) It has ensured repayment of past loans on time.

(d) As far as possible, the scheme has ensured the diversion of operational funds to capital to the level expected at the time of drawing yearly budget. This has also indirectly provided a check on working capital increases.

(e) It has led to the conversion of deposit accounts with customs into a single account for each port and the regulation of deposits with railways with reference to quarterly and half yearly or annual requirements, releasing sizeable cash.¹⁰

(f) It has enabled the company to take

full advantage of export credit facility and make the government agree to accept payment of interest in two six-monthly instalments with the result that overdraft has come down with a bank bringing interest charges with them.

Table III reveals the position of the size of cash, bank overdraft, utilisation of cash credit, balances with government bodies and net interest paid during the period of completely decentralised, centralised, redecentralised and recentralised management of cash operations in HSL. It is evident that management of cash showed improvements in 1965-66 (period of centralised cash management) as compared to 1960-61 to 1964-65 (period of decentralised cash management), deteriorated in 1966-67 and 1967-68 (period of redecentralised cash management), and has been in good health thereafter (period of recentralised cash management). During the period of centralisation there has been a tendency to keep smaller cash balance and utilise fully the cash credit facility. To add, there has been a significant decline in the ratio of deposits with customs, port-trusts and railways to turnover.

Following HSL's example, most of the "industrial and commercial enterprises" have created an organisation for cash management and made it goal-oriented. But while treating on the lines of HSL, almost all the enterprises, excluding the State Trading Corporation of India Ltd in which the scheme of fund management

was introduced in 1968-69, have not assigned their cash management the major responsibility of improving perennially the flows of funds from operations. This difference between the functions of cash management through conceptional organisational, locational, procedural and attitudinal changes has paid rich dividends to the STC. While the corporation had an overdraft of Rs 13.65 crores in 1967-68 to run a business of Rs 141 crores, it had turned it into a credit balance of Rs 8.35 crores on a turnover of Rs 300.80 crores in 1971-72. In 1968-69, Rs 65 lakhs were paid by way of interest. In 1969-70, 1970-71, 1971-72, 1972-73, 1973-74 and 1974-75, Rs 18 lakhs, Rs 28 lakhs, Rs 11 lakhs, Rs 19 lakhs, Rs 11 lakhs and Rs 19 lakhs were earned respectively by way of interest despite the increase in turnover.

reduced percentages

The percentage of stocks to sales which stood at 28.93 per cent in 1967-68 came down to 8.32 per cent in 1974-75. Similarly, the debtors to sales ratio which stood at 16.50 per cent in 1967-68 came down to 1.45 per cent in 1974-75. The percentage of cash to sales declined from 1.5 per cent in 1967-68 to 0.4 per cent in 1974-75. The percentage of expenditure to turnover which stood at 3.74 per cent in 1967-68 came down to 0.78 per cent in 1974-75. In order that the scheme of fund management turns the corner, the corporation prepares different statements relating to daily cash position, weekly credit utilisation, monthly forecast of cash flow, and position of stocks and debtors.¹¹

Besides, a new department under the 'Finance and Accounts Division' known as the 'Contracts and Credit Department' was set up in 1969. This department plays an important role in fund management as its functions include management of cash (i.e., the management of funds position, borrowing arrangements investment of surplus cash, etc.), granting of credit (i.e., the management of loans, advances and guarantees, etc.), recovery of outstanding dues from sundry debtors, liquidation of stocks by periodical scrutiny and constant follow-up liaison with lending institutions, maintenance of opinion sheets regarding creditworthiness of asso-

ciates, and profitability evaluation and follow-up of contracts.

With an efficient execution of these functions, the 'Contracts and Credit Department' has largely helped the corporation to set up a consolidated cash control system, exercise effective control over cash, evaluate credit risks and develop sound credit policies, hold down bal debts and minimise the amounts of funds tied up in sundry debtors and stocks, invest surplus funds profitably taking into account the yield and risk factors, and maintain close working relationship with bankers.

The comparison between the cash management systems of the State Trading Corporation of India Ltd, and HSL points up that the problems of cash management in public enterprises are four-fold. First, there is the problem of conception. In the wake of turning cash management goal oriented, the concept retained as such with regard to 'cash' is not in harmony with the objective. If cash management, among other functions, has to strengthen the 'flow of funds from operations' in public enterprises then it should not only embrace into its fold the management of cash volume but also the management of inventories, debtors, loans and advances, and current income. A constant watch on these fronts must result in continuous improvements in the rate of return on capital employed. Second, there is the problem of the non-existence of a suitable organisation.

integrated authority

The responsibility of controlling cash, inventories, receivables and current income is not in the hands of an integrated authority in public enterprises. Thus there is a clear need of setting up an integrated authority for the management of cash under the overall control of the respective finance divisions of public enterprises. Such an authority should have quite a high status in the finance divisions. This would solve the third and locational problem of cash management in public enterprises. Fourth, there are the procedural problems in the way of an effective and efficient management of cash in public enterprises.

In the effort to plan and control

cash, public enterprises have not been preparing monthly, weekly and daily cash flow forecasts as also the programme-cum-performance report of cash flows for these durations. Moreover, the existing arrangements in connection with financial sanctions and delegation, and decentralisation of authority are such that demands get automatically inflated. It would, therefore, be in the fitness of things that the procedural set-up for cash planning and control is systematised and the tendency to equip lower and middle management personnel with more financial powers is encouraged.

To conclude, the effective and efficient management of cash provides an important clue to making capital employed in public enterprises productive. The study of dimensions, process and problems of cash management pertaining to public enterprises has, however, shown that much remains to be done to exploit this tool to optimise the rate of return on capital employed in these concerns.

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TABLE III

Performance at a Glance of the Decentralised Administration of Fund in HSL

(Rs in crores)												
Particulars												
Years	Turnover	Base year % growth	Cash	Base year % growth	% to turnover	Bank overdraft	% to turnover	Line of cash credit	% Utilisation	Deposit with customs, port-trusts and rlys	% to turnover	Net interest paid
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1960-61	40.97	100.00	1.37	100.00	3.70	12.02	30.00	16.00	75.20	NA	—	NA
1961-62	70.88	173.00	3.10	225.30	4.40	11.75	17.00	16.00	73.50	NA	—	NA
1962-63	124.51	304.00	4.20	304.70	3.20	7.14	5.60	16.00	44.20	NA	—	NA
1963-64	182.25	444.80	12.20	886.10	6.60	0.28	—	16.00	1.80	4.10	2.20	NA
1964-65	206.26	534.70	23.71	1722.20	7.60	3.19	1.50	16.00	20.60	3.63	1.90	NA
1965-66	238.81	582.90	13.28	946.60	5.50	19.07	8.00	16.00	119.20	3.33	1.40	—0.29
1966-67	231.01	561.80	17.73	1287.30	8.00	11.56	5.30	16.00	72.30	3.16	1.40	—0.65
1967-68	257.76	614.50	24.42	1773.60	10.00	14.17	5.60	16.00	88.60	3.59	1.40	—0.61
1968-69	320.40	782.00	22.57	1647.50	7.20	18.54	5.90	16.00	90.07	1.60	0.50	—3.78
1969-70	381.33	930.80	5.68	474.60	1.60	19.53	5.20	20.00	94.80	1.80	0.50	—1.44
1970-71	417.33	1016.70	13.30	970.80	3.10	21.67	5.20	20.00	108.55	2.57	0.60	—1.48
1971-72	444.93	1086.00	7.01	508.00	1.10	21.78	5.00	20.00	108.90	5.00	1.10	—1.73
1972-73	594.80	1451.80	8.26	602.90	1.30	26.40	4.40	45.00	58.67	6.23	1.00	—2.20
1973-74	680.85	1661.80	7.79	567.90	1.20	32.02	4.70	45.00	71.11	6.66	0.90	—1.88
1974-75	977.95	2142.91	10.22	746.00	1.04	61.86	6.34	60.00	103.10	5.92	0.61	—3.30

NA—Not available Source : Annual Reports of HSL for the years 1960-61 to 1974-75.

The Himalaya: its hidden treasures

J. Swaminath, Sankarsan Roy and Dhurjati Mukherjee

The existence of limitless wealth below the Himalayan ranges has been suspected for a long time. The authors point to the possibility of discovering numerous kinds of minerals in this area. This subject came up for discussion in the Himalayan Geology Seminar held in the capital from September 13 to 17, 1976.

THAT GREAT mountain range which has powerfully impressed the minds of millions and lured the pioneering spirit of man in quest of the unknown—be it philosophical, geographical or geological—continues to attract even today geologists, surveyors, mountaineers and pilgrims from all over the world. This historic alluring mountain range happens to be the Himalaya, the youngest but the highest range in the world with thirty peaks rising to average heights of 24,000 feet (7,300 metres) above sea level. Apart from its geographical and geological importance, the Himalaya has generated among the inhabitants of the surrounding valleys a deep and real sense of oneness.

part of history

“The Himalayas”, Jawaharlal Nehru had said, “are not only near to us, but also very dear; for they have always been part of our history and tradition, our thinking and our poetry, our worship and our devotion ... According to mythology, they are the abode of the gods”. ‘Hima’ in Sanskrit means snow and ‘alaya’ the abode, thus the Himalaya is rightly christened as the abode of snow—the abode of eternal peace and tranquility.

Forming the northern border of the Indian subcontinent and an almost impassable barrier between it and the lands to the north, the ranges are a part of the great mountain belt stretching half round the world from northern Africa to the east coast of Asia. The Himalaya stretches uninterruptedly for about 1,550 miles (2,500 kilometres) from west to east between Nanga Parbat in Jammu and Kashmir and Namcha Barwa in Tibet.

Between these extremities lie Nepal and Bhutan, though India has sovereignty over most of the Himalaya. Although the mountain chains comprising the Himalaya are barren and inhospitable, three of the world's principal rivers—the Indus, the Brahmaputra and the Ganga—originate in them and are fed by glaciers.

major glaciers

The major glaciers are 25 to 50 km long and up to 1000 m or more thick. In contrast, many of the valley glaciers in other parts of the world are puny little ice streams. Since these glaciers nourish the rivers of the Himalaya, systematic scientific investigations are being conducted by the Geological Survey of India in the major glaciers of Kashmir, Himachal Pradesh and Uttar Pradesh.

The great rivers originating from these glaciers have created the plains flanking the Himalaya towards the south and a climatic condition ideally suited for human existence. The great barrier of the Himalaya resists the cold north wind and induces the monsoon precipitation, which has made the plains fertile. Thus, this great mountain range has sustained one of the oldest civilisations of the world, giving rise to the “Aryavarta” of the Aryans and influenced the religion, culture and economy of the people—indeed their entire outlook towards life.

As such, it is but natural that over the years there has been continuous investigations and scientists have braved many hazards to understand why the mountains are, where they are, what stuff they are made of, how they are formed, what relationship they bear with other

mountain chains, what useful mineral resources they contain etc.

Although expeditions with the objective of scientific exploration were started at the beginning of the last century, the Himalayan ranges have known an ancient traffic of migrants, invaders, traders and missionaries since time immemorial. The Aryans found a passage through the impassable range, Alexander led his army over it and others, i.e. Sakas, Huns, Pathans and Moghuls followed. Buddhism travelled to Tibet and China across this mountain.

Expeditions for survey and exploration of the mountain peaks started in the 19th century. Charles Crawford surveyed Nepal from 1801 to 1803 and was the first to announce the great height of the snowy range. N.S. Webb's explorations led to the discovery of the source of the Ganga. Then a series of explorations resulted in the discovery of the great peaks. The Great Trigonometrical Survey was conducted under the supervision of the Surveyor General, George Everest and the Mount Everest was discovered in 1865. The credit of its discovery, however, goes to Radhanath Sikdar, an Indian surveyor of Survey of India.

spur to adventure

The exploration conducted by the survey parties inspired many adventures to mountaineering expeditions. Although leading part was taken by European explorers and mountaineers in organising such expeditions till Independence, the part played by Indians in making these expeditions successful deserves special mention. They helped the parties as porters, guides, survey staff, bearers and surveyors. The first ascent made on the Mount Everest on June 3, 1953 was by Tenzing Norgay, who was the leader of the porters' (Sherpa) party together with Sir Edmund Hillary.

The conquest of Everest by an Indian

inspired Indians to mountaineering expeditions. Followed by the foundation of the Himalayan Mountaineering Institute, a number of Indian mountaineering parties started climbing difficult peaks and exploring unknown regions in the Himalaya. The Indian mountaineering efforts culminated in the ascent of the Mt. Everest by an Indian team led by M.S. Kohli. C.P. Vohra, a geologist of the Geological Survey of India was in this team and he was the first geologist in the world to climb to the top of the earth.

Scientific exploration for the hidden resources of the Himalaya accompanied the mountaineering efforts. Tempo of such exploration increased manifold after Independence under the leadership of Indian scientists.

basic document

Although it has been a very arduous task for Indian scientists to carry on work in the Himalayas, even in times of highly indifferent weather, the basic documentation in respect of geology and stratigraphy is available today. And for this, the efforts of the Geological Survey of India principally, and of the Oil and Natural Gas Commission, the Wadia Institute of Himalayan Geology and similar institutions merit attention.

The accumulation of sedimentary rocks, some of which have been found to be 1200 to 1800 million years old, their uplift and subsequent denudation and this cycle being repeated over eras, eventually gave rise to this mighty mountain range. The rocks of varying groups of different ages in the Himalaya, during the mountain building processes have been folded and faulted and stacked one above the other as ‘thrust sheets’ and investigations are going on as to their original sites of deposition to understand the processes that have contributed to the building of the Himalayan edifice. There are many theories—one group considers that the forces horizontally from the north have stacked one system of rocks over the others, while another believes that forces vertical rather than

horizontal have been the prime mover in the build-up of the Himalaya.

One of the puzzles in Himalayan geology has been that in certain parts, like the Jutogh peak near Simla, the so-called oldest rocks are found right at the top or at levels far higher than rocks much younger, according to scientific calculations. The dislocations of rocks have been frequently manifested through earthquakes and from a study of earthquakes in the Himalayan region, it can be known which of these dislocations are still active along which replays are likely.

Coming to the question of the mineral resources of the Himalaya, one has to admit that it is only in the post-independence period that systematic and sustained approach has been organised for assessing the mineral resources and potentials of this 700,000 sq km mountainous terrain. Many unknown mineral bearing areas in the Himalaya were closely examined for their economic potential and slowly but steadily geological domains with different mineral occurrences came to be recognised. It has been found that there are fuel, non-metallic and metallic deposits in the Himalaya.

search for oil

Oil and gas seepages in the sub-Himalayan region have prompted the earth scientists to search for oil in the Himalaya. Impersistent coal seams are known in eastern and western Himalaya and their utilisation in thermal plants where there is shortage of fuel is being explored. Among the non-metallic deposits, reserves of limestones and dolomites are inexhaustible, whereas superior quality gypsum and phosphorite have been found in abundance. Economically promising deposits of magnesite have been delineated. Important among the metallic mineral deposits are gold, copper, lead, zinc etc. Moreover, precious and semi-precious stones have also been found.

The tempo of search for minerals has increased manifold during the last decade. A number of expeditions have been organised recently with the objective of locating unknown resources of minerals. This increased tempo of activity has resulted in discovery of workable deposits

of copper, lead and zinc and promising indications of nickel and cobalt.

The possibilities of oil in the Himalaya are not very bright, though investigations were prompted by a few gas shows like the Jwalamukhi or southward continuation of favourable source rocks to the Ganga valley in the south. Exposed ancient and transformed rocks of the main Himalayan range are also largely considered unsuited locales for hydrocarbon. But possible existence of oil-bearing marine rocks below the cover of the older transformed rocks, as reasoned by some geologists, is of scientific interest and economic significance.

As important as the mineral resources are the resources of geothermal energy lying hidden in the south-western Himalaya. The ever-increasing demand for energy resources has forced the nation to look for an alternative source of energy for future requirement. Among the new sources of energy under consideration, geothermal energy is the most likely candidate for fruitful exploitation to meet this challenge. It is basically the energy that is related to heat contents of the earth, which generally increases with depth normally at the rate of 30°C per kilometre. At certain places on the surface of the earth, the geothermal gradient is considerably higher than the normal.* These areas are called the “geothermal areas” from where geothermal energy could be exploited.

Ladakh exploration

In the geothermal areas located in north-western region of the Himalaya exploration is being carried out at Puga (Ladakh) and Manikaran-Bashist region (Himachal Pradesh) with the objective of tapping the hidden geothermal resources.

The importance of the Himalaya is being realised and further investigations are being carried out in different terrains. The unknown is unravelling its mysteries and hidden treasures, and within a few years, the prophetic vision of the philosophers and ascetics regarding the existence of limitless wealth lying hidden within the bosom of the mysterious mountains will become a reality.

*Here the ground-water gets heated and gushes out as hot springs.

Announcement regarding issue of Rs. 15 crores 6½% debentures (1992) at 97½ applied for issue and allotment of further debentures of Rs. 1.50 crores and guaranteed

This is not a prospectus. Persons interested in details may obtain copies of the p



THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED

(Incorporated on January 5, 1955 under the Indian Companies Act VII of 1913)

Registered Office: 163, Backbay I
Regional Offices: 20, Old Court House Street, Calcutta 700 001. • 1, Cenotaph Road, Madras

EXISTING AND PROPOSED ACTIVITIES :

The Company was incorporated on January 5, 1955 with the object of carrying on the business of assisting industrial enterprises in India, more particularly described in its Memorandum of Association.

The Debentures are being issued for the purpose of augmenting the resources of the Company to meet the demands of industry for financial assistance and to meet the other needs of the Company.

BOARD OF DIRECTORS :

H. T. Parekh (Chairman)
J. S. Raj (Vice-Chairman)
K. K. Birla
D. P. Goenka
N. A. Palkhivala
L. J. Mulkern
N. M. Wagle
M. V. Sohoni
R. V. Raman
M. G. Balasubramanian (Government Director)
M. Sen Sarma
M. D. McWilliam
M. V. Arunachalam
S. S. Mehta, (Managing Director)
Phiroze B. Medhora (Joint Managing Director,
On deputation to the International Bank for
Reconstruction & Development,
Washington D.C., U.S.A.)
J. M. Ahrens (Alternate Director to L. J. Mulkern)
N. H. Green (Alternate Director to
M.D. McWilliam)

PRESENT ISSUE :

30,000 Debentures (1992) of Rs. 5,000 each at 97.50% (i.e. Rs. 4,875 each) with a right to retain excess subscription money up to 10% of the Issue to be applied for issue and allotment of further 3,000 debentures.

Interest at the rate of 6½ per cent per annum (subject to deduction of tax at source) will be payable half-yearly on October 15 and April 15 except that interest will accrue on the Debentures allotted from the date of receipt of the application, and accordingly, the initial proportionate payment of interest will be made on April 15, 1977.

SHARE CAPITAL :

(as on June 30, 1976)

	Rs.	Rs.
Authorised:		
15,00,000 Equity Shares of Rs. 100 each		15,00,00,000
10,00,000 Unclassified Shares of Rs. 100 each		10,00,00,000
<u>25,00,000</u>		<u>25,00,00,000</u>

Issued and Subscribed:

15,00,000 Equity Shares of Rs. 100 each	
issued for payment in cash	15,00,00,000

Paid-up:

15,00,000 Equity Shares of Rs. 100 each	15,00,00,000
Less: Calls in arrears	8,300
	<u>14,99,91,700</u>

15,00,00,000

6½% with a right to retain excess subscription up to 10% of the Issue to be as regards repayment of principal and payment of interest by the Government of India.

prospectus from the Registered Office or the Regional Offices of the Company.



MENT CORPORATION OF INDIA LIMITED

(Incorporated on January 5, 1955 under the Indian Companies Act VII of 1913)

Reclamation, Bombay 400 020.

600 018 • Hindustan Times House, 18-20, Kasturba Gandhi Marg, New Delhi-110 001.

GOVERNMENT GUARANTEE :

The Debentures, now being issued, are guaranteed by the Government of India as to the repayment of the principal and the payment of the interest thereon at 6½%. The Debentures will not, however, entail any charge on the assets or the undertaking of the Company.

The Debentures will be considered as approved security under the provisions of the Indian Trusts Act 1882, the Insurance Act 1938 and the Banking Regulation Act 1949.

The Debentures shall be redeemed at par on October 15, 1992.

The Company shall have the right to purchase Debentures from the open market and the same can be reissued during the unexpired period of the Debentures.

The principal moneys of the Debentures to be issued hereunder and the interest accrued thereon shall rank for payment, from and out of the funds of the Company:

- after all the foreign currency loans with interest thereon, both present and future, except the 8% Bonds (1977-88) for Swiss Francs 8 million;
- pari passu* with all the rupee term loans, both present and future, and the Debenture issues previously made with interest thereon and the Debentures to be issued hereafter with interest thereon (except the interest free special advance of Rs. 400 lacs from the Government of India, which ranks after the share capital of the Company) as also the said Bond Issue of Swiss Francs 8 million referred to above;

Such payment will be without affecting the rights of the holders of the 8% Bonds (1977-88) for Swiss Francs 8 million; the holders of Rs. 13.75 crores 6½% (1990) Debentures, the holders of Rs. 13.75 crores 6½% (1991) Debentures, and the holders of the present issue of Debentures to take recourse to the Guarantee of the Government of India issued in their favour.

At any meeting of the debenture holders, each voter shall on a show of hands be entitled to one vote only and at a poll he shall be entitled to one vote in respect of every principal sum of Rs. 5,000 of the Debenture in respect of which he is entitled to vote.

In the event of over-subscription, allotment to shareholders of the Company who apply for Debentures will be considered on preferential basis to meet the requirements of the listing agreement with the Stock Exchange, Bombay.

DATES OF THE OPENING AND CLOSING OF THE SUBSCRIPTION LIST :

The Subscription List will open at the commencement of banking hours on Thursday, September 23, 1976 and will close at the close of banking hours on Tuesday, September 28, 1976 or earlier at the discretion of the Directors but not earlier than the close of banking hours on Saturday, September 25, 1976.

PROSPECTUS AND APPLICATION FORMS :

Application must be for one or more Debentures and should be forwarded to the Registered Office of the Company together with the payment at the rate of 97.50% of the nominal value of the Debenture i.e. Rs. 4,875 per Debenture. However, for the sake of convenience, applications together with the necessary payment would be accepted by the Central Bank of India at its main offices at Bombay, Bangalore, Ahmedabad, Calcutta, Hyderabad, Indore, Madras and New Delhi.

Application Forms along with copies of the Prospectus can be obtained from the Registered Office and the Regional Offices of the Company.

ADROIT-727

Is climate out of joint?

The recent drought in parts of Europe and the USA has brought about extensive hardship. It is being increasingly felt that weather is a global problem. There is already talk in official circles in west European capitals of drawing up an international treaty to test the "behaviour of climate" and to draw up a voluntary code of "good climatic behaviour".

DESPITE ELECTIONS continuing currency feebleness and record heights in unemployment the determining element in much of west Europe's economy for some time to come will be the drought. The last week of August saw some most welcome rain, heavy in places, and some of the scorched grass is beginning to have a green tinge. But agriculture in west Europe and in Britain is now suffering acutely from the effects of the drought. In places industry is also affected and

others are well below 50 per cent and some as low as 35 per cent.

One compensating benefit of the long drought this summer is that it has helped many in western Europe to realize that weather is a global problem and that many, particularly in parts of Asia and Africa, endure for months or permanently the same or worse climatic conditions as north-western Europe had this year. But because it has occurred in western Europe the drought is not taken as a

matter of course but as evidence that the climate generally is out of joint. There has even been talk in official circles in west European capitals of the possibility of an international treaty to cover experiments seeking to test the behaviour of the climate and then to draw up a voluntary code of "good climatic

behaviour" combined with provisions for coping with future climatic crises.

To those to whom droughts are a frequent or even permanent condition there may be something a trifle sourly amusing about this sudden west European concern over the weather and man's tinkering with it. But the increasingly dry weather over the last five years in

many areas which are globally grain-producing reveal that there is much more to droughts in Europe and the USA than local discomfort. Grain reserves are falling and prospects for increasing the land area under cultivation are made more uncertain as the watertable sinks. Fresh and river water is in diminishing supply and even some sea levels are sinking. Since the days are long past when populations could move in search of water and because populations grow steadily, there is sense in increasing international knowledge and information about climate and in avoiding activities which might prejudice others' essential well-being.

anxious Americans

The Americans are particularly anxious to hold something akin to an international conference on drought to include representatives from all governments. One official US report comes to the conclusion that difficult weather will last for at least 40 years and that some wheat areas in the USA and in the USSR may dry out. Americans, unlike the west Europeans, are still close enough to their dust-bowl disaster of 1934, when many of the plains states of the USA lost their dry topsoil, to realize vividly what a real drought can mean, that millions of acres of wheat can be lost in a windstorm and that lack of water can be a domestic tragedy as well as a national disaster.

The day is approaching for the third sale of gold by the International Mone-

tary Fund in Basle. The prospect, and rumours that the sale may be postponed, are causing some price fluctuations in the bullion market. At the first two sales in June and July the price of gold fell. At the June auction a price of 126 dollars a troy ounce was realized; at the second auction in mid-July the price was only 122.5 dollars. There is now talk of only 100 dollars for a troy ounce. This is a matter of concern to the IMF, to the gold producing countries and, not least, to the less prosperous of industrially developing countries for whose benefit the sales are being held. It is possible that on September 15 the IMF will accept this still lower price rather than, at the last moment, abandon the sales programme. But, once this third sale is out of the way, the IMF, which does not have to accept any price, appears almost certain to make changes.

For once, the economic interests of developing countries, who stand to lose in assistance from the IMF if the price of gold sold falls significantly, with those of South Africa, a major producer of gold and which, despite its industrial prosperity, has serious payment problems. South Africa's current account deficit is currently running at more than \$ 2,000 m.

Although South Africa, which offers over 700 metric tons of gold for sale annually wants to hold back now at this time of uncommonly low prices it cannot afford to wait long and will soon resume its pressure to sell gold. The Soviet Union, which has offered less than 150 metric tons this year, appears able to hold its gold more easily than South Africa and can be relied on to use stop-go tactics at its own convenience. With a good harvest which Mr Brezhnev claims is sufficient to free the Soviet Union this year, Moscow will be relieved of the pressure it has experienced in the last four years to sell gold in order to buy grain abroad. The problem for the IMF is how to balance sales of its gold holdings without running risk of fairly serious loss owing to South African pressure, the inscrutability of Moscow and the opposition of the French who see with dismay the value of their very considerable gold reserves likely to shrink to something approaching one-third.

Both Britain and France continue to be west Europe's most troubled states. The French franc recovered a trifle last week but France, now with a new prime minister, remains an economically sick country

troubled with the prospect of municipal elections next year which may reveal uncomfortable Socialist-Communist strength. Unemployment remains high in France, a factor which puts the trade unions rather than the government in a difficult position since union members in France are highly individualistic, consider that the unions exist for their benefit with a duty to keep them in gainful employment or in receipt of very satisfactory compensation payments.

Britain, although it has brought the rate of its inflation down in 11 months from 26.9 per cent to 11 per cent sees no prospect of lowering it further. It continues to have the world's largest invisible earnings after the USA and has the second largest invisibles surplus but it has 1,256,500 totally out of work and the expectation of having 1.3 m of them workless by the first quarter of next year. There is prospect of four per cent rise in national output next year and of five per cent rise in 1978 but reserves of gold and foreign currencies fell in August by 6.3 per cent or £192m. The most reassuring fact is that, despite the fall in reserves to help the pound, Britain has not needed to draw on its stand-by facility, a fact which impresses many.

A bouquet of facts

The main feature of the world's economic activity in 1974 are detailed in the latest issue of the United Nations Statistical Yearbook, 1975. One of the most comprehensive of UN publications the Yearbook contains data on the world, its regions and on countries. It provides information on population trends, national product and income, agricultural and industrial production, energy, world trade and transport finance, consumption, housing, education and culture.

AMONG THE facts revealed in the UN Statistical Year Book, 1975, are the following:

World Gross Domestic Product increased by four per cent.

World industrial production also expanded by four per cent. Centrally planned economies increased production by nine per cent, as did developing market economies. Developed market economies did not expand their industrial production.

World agricultural output per capita

in 1974 was slightly lower than in 1973.

World production of wheat and maize was less by five per cent each and rise by one per cent compared with the 1973 level.

World energy consumption increased by only 0.5 per cent, considerably less than in 1973 when the figure was 5.8 per cent.

World export of goods in 1974 reached \$848,700 million, a 45 per cent increase over 1973.

Export prices of developed market economies increased by 12 per cent, the

prices of exports from developing countries grew only four per cent.

The world's population in mid-1974 was estimated to be 3,890 million, an increase of 280 million in the four years since mid-1970.

During this four year period, the world's population has been increasing at an average annual rate of 1.9 per cent. The overall average conceals widely divergent situations. For example, the population in northern Europe increased at a rate of only 0.4 per cent per annum during the period but some areas of Latin America had an average annual increase of 3.3 per cent.

The mid-1974 estimates of the world's population, its distribution and annual rate of increase are given in table (p 582).

Levels of fertility and mortality also

Britain's National Output

Britain's national output will continue to rise at a reasonable rate over the next 18 months, with most of the momentum coming from exports, industrial stockbuilding and, in 1977, private fixed industrial investment, says the independent National Institute for Economic and Social Research (NIESR) in its latest quarterly survey published recently.

The recovery will be marked by an "unusually high" growth in manufacturing output relative to economic output as a whole, and associated with a "substantial recovery in profits" made possible by revisions of the government's price control.

Britain's external payments deficit, says the NIESR forecast, will start to narrow early next year and will be moving back towards zero in early 1978. The country's annual inflation rate should be "just into single figures" by the end of 1977, the Institute believes. This would be helped by an expected slowdown in the depreciation of sterling, which is expected to level off in the second half of next year.

vary widely among the countries or areas of the world. For example, the lowest crude birth rates in the world currently are reported for Norfolk Island, Christmas Island, the Federal Republic of Germany, the German Democratic Republic and Luxembourg with 9.5, 10.1, 10.1, 10.6 and 11.1 births per 1,000 population, respectively. On the other hand, birth rates in the forties are not uncommon in countries in Africa, Asia and Latin America and in some cases these rates are as high as fifty and over.

infant mortality

The six countries or areas with the lowest infant mortality rates (deaths of infants under one year of age per 1,000 live births) are San Marina (9.2), Sweden (9.6), Finland (10.1), Norway, (10.5) the Netherlands (11.3) and Japan (11.3). By contrast, many countries or areas in Africa and some in Asia have infant mortality rates of between one and two hundred, and in a few countries or areas rates in excess of 200. Another indicator of mortality—life expectancy at birth—ranges from an estimate of less than 40 years in a few African and Asian countries or areas, to over 77 years for females in Norway and Sweden.

The total volume of production of all kinds of goods and services, excluding the services of general government and of private organizations, in 1974 was 23 per cent higher than in 1970. For the same period, the market economies expanded 22 per cent while the centrally planned economies increased by 28 per cent over the 1970 level of production of material goods and services.

The expansion in total goods and services for the market economies over the period 1970-74 was made up of a 15 per cent rise in the developed market economies and a 28 per cent expansion in the developing market economies. The developing economies registered an increase of 16 per cent in per capita output over the period 1970-74, compared with an increase of 11 per cent for the developed countries. The closest comparable figure for the countries of eastern Europe and the Soviet Union was 24 per cent,

referring to per capita output in net material product.

The growth rate of total production, excluding the services of general government and of private organizations, for the world as a whole (excluding the People's Republic of China, Mongolia, the Democratic People's Republic of Korea and Democratic Republic of Viet Nam) was 4.0 per cent in 1974. The market economies registered a growth rate of 0.4 per cent in 1974 divided into 0.6 per cent for the developed market economies and six per cent for the developing market economies. The closest comparable rate for the countries in eastern Europe and the Soviet Union was 6.3 per cent.

industrial production

World industrial production (i.e. output of mining, manufacturing, electricity, gas and water) continued to grow in 1974, despite the recession in the United States, Japan, Federal Republic of Germany and a number of developed countries during the period.

The production index for the world was 127 in 1974 (1970 taken as 100), up from the 1973 figure of 122. This indicates that industrial output of the world expanded by four per cent in 1974, reflecting increases of nine per cent for the centrally planned economies and two per

cent for the market economies. The two per cent increase resulted completely from the rise of nine per cent in the developing countries since the output of the developed countries barely reached its level of 1973 and no increase was achieved in 1974.

As for the individual branches of industry, the index numbers reveal that the increase in the world output was attributed primarily to rise of six per cent in the metal products industries, five per cent in the food, beverage and tobacco industries and five per cent in the output of chemicals, petroleum and coal products.

Among the major industrial countries, the percentage increase or decrease in each country's output in 1974 compared with 1973 is listed as follows: the Soviet Union eight; Italy five; France 2.5; the United States,—1; Federal Republic of Germany,—2; Japan,—2 and the United Kingdom,—4.

cereal crops

The world crops of main cereals in 1974 showed a decrease following the record crops harvested in 1973. The output of oats in 1974 declined by six per cent, wheat and maize by five per cent each and rice by one per cent. Substantial reduction was registered in the output of soybeans and potatoes. Production of

Mid-1974 Estimates of World Population, Distribution and Annual Rate of Increase

	Population in millions	Percentage of world total	Average annual rate of growth (in per cent) 1970-1974
World	3890	100	1.9
Africa	391	10.0	2.7
Northern America	235	6.0	0.9
Latin America	315	8.1	2.7
Asia	2206	56.7	2.1
Europe	470	12.1	0.6
Oceania	21	0.5	2.0
Soviet Union	252	6.5	0.9

coffee, cocoa, tobacco, meat and milk was higher than the 1973 level.

World wheat production in 1974 was 359,831,000 metric tons, a decrease of five per cent over the 1973 bumper crop. Among the largest producers the Federal Republic of Germany showed an increase of nine per cent in production over the 1973 figure, France six per cent and the United States five per cent. Wheat production in 1974 declined in the USSR (24 per cent), Canada (19 per cent), India (11 per cent) and Argentina (9 per cent). World agricultural output per capita in 1974 was registered slightly lower than in 1973.

All sources of energy are compared in the *Yearbook* in terms of their equivalent in metric tons of coal with detailed information on energy production and consumption for approximately 200 countries and areas.

The world total energy consumption increased by only 0.5 per cent in 1974, a rate of increase considerably less than in the previous year of 5.8 per cent. The rates of increase for 1974 of consumption of solid fuels and natural gas were 0.4 and 2.7 per cent respectively while consumption of liquid fuels decreased by 0.9 per cent.

dominant oil

Oil dominates the world energy balance; in 1974 liquid fuels met 45 per cent of the world's fuel requirements, solid fuels 32 per cent, natural gas 21 per cent and primary electricity two per cent.

In 1974, the United States consumed 11.5 metric tons of coal equivalent per capita, making it the leading consumer of energy. Canada was next, consuming 9.8 metric tons per person, followed by Czechoslovakia 7.0; German Democratic Republic 6.9; Belgium, 6.6; the Netherlands 6.2; Australia, 6.0; Sweden, 5.8; United Kingdom, 5.5; the USSR, 5.3; Iceland and Denmark, 5.1. But most countries still average consume considerably less than the world average of 2.1 metric tons of coal equivalent per capita.

In 1974, 33 per cent of the world's energy was consumed in North America, 30 per cent in the centrally planned economies and 19 per cent in western Europe.

There are considerable continental differences in the energy consumption pattern. For western Europe, 57 per cent

of all energy consumed was derived from liquid fuels, 24 per cent from solid fuels and 15 per cent from natural gas. In North America natural gas accounted for 33 per cent, liquid fuels 45 per cent and solid fuels 20 per cent, while in the Far East 64 per cent of all commercial energy consumed was from liquid fuels, 28 per cent from coal and only five per cent from natural gas.

rise in coal production

World mining of coal and lignite combined in 1974 exceeded the 1973 level by 1.3 per cent, while the output of crude petroleum and natural gas was higher by 0.6 and two per cent, respectively.

In 1974, the Middle East accounted for 38 per cent of world petroleum production, North America 20 per cent and centrally planned economies 19 per cent.

World crude steel production in 1974 exceeded 704 million metric tons, an increase of two per cent over 1973. The annual growth in 1973 was 10 per cent when compared with 1972.

The tonnage of merchant vessels launched in 1974 increased by 10 per cent, and tankers by 37 per cent. In Japan, where half of the world's merchant vessels were built the total increase was 12 per cent and for tankers 40 per cent.

Manufacturing of passenger cars in 1974 decreased by 13 per cent. Among the major producing countries the following percentage decreases in manufacturing of passenger cars were registered; the United States, 24; the Federal Republic of Germany, 22; Japan and the United Kingdom, 12 each; Italy, 11 and France, 5. The data in the *Statistical Yearbook* reveal that world exports in 1974 totalled US \$848,700 million, a 45 per cent growth over the 1973 figure.

World exports in 1975 reached US-\$880,000 million, an increase of only five per cent over the 1974 level. Developed market economy countries underwent a six per cent growth and centrally planned economies a 21 per cent growth in export value, while developing market economy countries experienced a decrease of approximately five per cent in the value of their exports over the same period. In contrast to the previous year, when increases in petroleum prices contributed to a sub-

stantial increases of the share of the OPEC countries in total world exports, in 1975 small adjustments in posted prices and a decline in the volume of crude petroleum traded contributed to the reduction of the share of the OPEC countries in total world exports from 15 per cent in 1974 to 13 per cent in 1975. The comparable figures for developing market economy countries overall showed a decline from 26 to 24 per cent of the total.

As far as prices are concerned, export prices of the developed market economy countries, comprising mainly manufactured goods, increased by 12 per cent. By comparison export prices of the developing countries increased by only four per cent, reflecting the decline in the price of a majority of raw materials, which was offset by small increases in the prices of petroleum and minerals.

transport sector

Railway Traffic: World railway traffic continued its growth and in 1974 reached 5,964 thousand million net ton-kilometres, an increase of four per cent over 1973.

Merchant Shipping: The world merchant shipping fleets in 1974 increased by 10 per cent, the world tanker fleets, which account for 44 per cent of total merchant fleets contributed 16 per cent to its increase. Liberia, Japan, the United Kingdom and Norway are the largest owners of merchant shipping fleets.

Civil Aviation: 423 million passengers were carried by civil aviation in 1974 and 17 thousand million freight ton-kilometres were flown, an increase of five and nine per cent respectively over 1973. In 1973 these figures were 10 and 18 per cent respectively.

Tourist Travel: According to statistics reported by the countries in 1974 there was an overall decrease in tourist trade. The largest number of tourist or visitor arrivals in 1974 was in the following countries (in thousands): Spain, 30,343; German Democratic Republic, 15,229; the United States, 14,123; Canada, 13,759; Italy, 12,442; Czechoslovakia, 11,786; Austria, 10,886; France, 9,838; United Kingdom, 7,935; Poland, 7,893; Belgium, 7,477; Federal Republic of Germany 6,951.

Courtesy:—UN Centre for Economic and Social Information.

A bumpy ride to world prosperity

While the economies of the developed countries have staged a recovery in the current year, they are plagued by uncomfortable unemployment and fears of inflation. The world economy, in the view of the author, is in a state of flux; he is of the opinion that growth in 1976-77 will be relatively modest and unemployment will be slow to decline.

AT THE Rambouillet Conference, the world's six big industrial nations got together to square up the major riddlers of inflation, recession and the energy crisis. Though achievements fell short of expectations, the course of action chalked out by the participants had some bearing on the issues involved. At the beginning of 1976, the world economy looked in better shape than it had midway in 1975. But the factors which made the latest downturn different from the post-War recession now appear to behave in a significantly different way in expediting the process of recovery. The shifts in economic balance are already evident. The oil producing countries are keen on having more for their product and this has a major impact on the shaping of economic events. It is just not a coincidence that there has been a belated recognition of the evils of recession reconciling governments and peoples to a measure of present diversity in preference to a real crash later. The real question for 1976 and thereafter is how long this chastened mood will last?

sombre scene

In contrast to the economic scene in 1976, the backdrop was evidently sombre. In fiscal 1974, the upheaval in global economic relationship was characterised by accelerated rise in prices of both goods and primary commodities, hikes in petroleum prices which were both spectacular and substantial, and a coincidence of food and fertilisers shortages. The year 1975 was haunted by the spectre of a deepening recession and rapid inflation in the industrialised countries, a further rise in fuel prices and worsening terms of trade on the part of the developing nations.

The world economy in 1976 has set in

for recovery although a modest one, since on all indications recession appears to have bottomed and a reflationary potential in the industrial nations is very much on the cards. America and Japan have led the way where economic recovery has been considerably faster than the revival activity in Europe. Europe's lag can be partly attributed to the relative moderation of its original downturn, with inventory cycles having played less of a role. In fact, the US real Gross National Product (GNP) growth was very strong in the second half of 1975 and the unabated buoyancy is queuing up the revival process very fast.

towards recovery

Preliminary government estimates now project an annual growth rate in GNP of well under five per cent for the second quarter of the year, following three-quarter of expansion at an impressive annual rate of 8.4 per cent. But it is doubtful whether the American economy, moving towards expanding its recovery base will be able to sustain the present rate of recovery. In Japan, a moderate recovery is quite under way and the OECD estimates are that the Gross Domestic Product (GDP) would rise by about five per cent between the second halves of 1975 and 1976. This forecast is based on the assumption that the existing government policies are maintained.

A controlled process of recovery has thus began and hopeful symptoms predict a rise in demand and production in the industrial nations. But what is worrying (and perhaps more important) in that unemployment has gained phenomenal heights while inflationary potentials threaten further gallops. The ILO report in this regard makes a disquiet reading

Dr Amar Nath Dutta

as 'striking increases in unemployment were the outstanding features of 1975, in 75 per cent of the industrial nations under review. The number of jobless doubled in New Zealand, Switzerland and Luxembourg, increased by more than half in Belgium, Chile, Portugal, Spain and Britain and up to 50 per cent in Australia, Austria, France, Denmark, Japan, Norway, Puerto Rico, South Africa and Zambia.

mounting unemployment

In Britain it crossed one-million mark in July last year for the first time since 1940 and W. Germany had more than a million unemployed for the first time in 20 years. Unemployment rose noticeably but less than 30 per cent in the United States, Canada, West Germany, Greece, Holland and Yugoslavia. Such a disproportionate rise in unemployment as portrayed in the ILO report confirms that 'measures using higher unemployment to stem inflation were a conspicuous failure'.

The OECD estimates are fully illustrative of the deteriorating job positions in-so-far as member-countries are concerned. In the USA the unemployment rate was as high as 8.4 per cent in the third quarter of 1975 against 5.5 per cent in the year before. Such figures related to the unemployed labour force ranged from 7.2 per cent in the case of Canada to 4.9 per cent in West Germany, 4.2 per cent in the UK, four per cent in France, 3.2 per cent in Italy and 1.9 per cent in Japan. While Denmark had the highest rate of unemployment to the tune of 12 per cent during the third quarter of 1975 as against the corresponding period of 1974, the position of Japan and Sweden was quite comfortable in that these countries avoided any further increase in unemployment during the period (Table 1). It is here that a basic postulate correlating unemployment and inflation stands scrutiny. For most of the post-war period governments tailored their demand management policies to square up with

inflation and balance of payments problems and they were successful in preventing unemployment returning to intolerably high levels. When unemployment at home was more pressing, demand was expanded. But boosts to home demand created balance of payments problems and the shortage of capacity and labour led to price and wage increase. To stabilise the situation, the brakes were applied. The result was thus a stop-go cycle. At each 'stop', the level of employment needed to act as a cushion against inflation and foreign trade deficit eventually became higher and at each 'go' the magnitude of trade deficit and the rate of inflation accelerated.

The correlation of inflation and unemployment continued to remain a major instrument of policy in many countries towards stabilising cyclical fluctuations and the demand management policy was suitably fashioned to use. In

technical jargon, it is what the monetarists call the Phillips Relation which postulates 'a stable empirical trade-off relationship between the rate of inflation and the rate of unemployment, on which the policy making authorities can choose an optimal position' based on a cost-benefit analysis of their collective utility functions.

If the policy is to keep the unemployment rate below the natural rate, the trade-off between inflation and unemployment will shift continually upward, a lever for the monetary authorities to opt for more inflation. If, on the other hand, a certain degree of inflation is allowed consistent with an initial unemployment target, a rational consumer behaviour will assert itself and unemployment will gradually rise to a level where prices would tend to become stable after a period. But the simple mechanism fails to work in the long run for costs and benefits would continue to flow in the

reverse direction or both sides will remain constant.

The process of economic recovery thus raises the two important and contradictory policy issues—growing inflation and rising unemployment and the major riddler of defining a suitable policy approach. An unprecipitated increase in the unit labour cost has made the problem all the more perplexing in character. The US economy is perhaps in a comparatively secure position because of its cautious policy approach. The Fed. and a large body of the non-Fed. economists believe that the 'underlying' inflation rate is now five to six per cent. This figure is derived mainly from the prospective rise in unit labour costs—compensation rising at a rate of about eight per cent while productivity, after a typical burst associated with the recovery, is likely to rise by about two to three per cent. The situation is evidently worse

TABLE I
Unemployment Rates in Selected OECD Countries
(Percentage of civilian labour force)

	Average		Peak 1955-73	1974				1975			Average of latest 3 months
	1962	1973		I	II	III	IV	I	II	III	
Canada	5.3	7.9	June '58	5.1	5.3	5.3	5.3	5.6	7.2	7.2	7.2
United States	4.9	7.5	July '58	5.2	5.1	5.5	6.6	8.4	8.9	8.4	8.4
Japan	1.3	1.9	Oct. '55	1.3	1.2	1.4	1.7	1.7	1.8	1.9	1.9
France	1.8	2.4	Sept. '72	2.0	2.0	2.2	2.8	3.3	3.8	4.0	4.0
West Germany*	1.3	4.9	March '55	2.1	2.3	2.6	3.6	4.6	4.9	4.9	4.9
Italy	3.6	5.5	April '59†	2.7	2.7	2.9	3.1	2.7	3.7	3.4	—
UK**	2.4	3.9	April '72	2.4	2.4	2.6	2.7	3.1	3.6	4.2	4.6
Australia	1.6	3.0	Sept. '61	1.5	1.4	2.1	3.5	4.2	4.6	5.0	5.1
Belgium%	2.1	4.0	Feb. '59	2.3	2.4	2.7	3.1	3.5	4.2	4.8	5.0
Denmark	3.7	11.9	Dec. '57††	2.3	3.9	5.9	9.0	11.1	11.2	12.0	13.5
Finland	2.4	5.0	Jan. '68	1.6	1.7	1.9	1.7	1.4	2.0	—	2.3
Netherlands%	1.3	2.4	Nov. '72	2.6	2.6	2.9	3.2	3.6	4.0	4.3	4.4
Norway%	0.9	2.1	Dec. '58	0.6	0.6	0.7	0.6	0.7	1.1	1.3	1.4
Sweden	2.1	2.9	Nov. '71	2.2	2.1	2.0	1.7	1.5	1.8	1.6	1.6

Source: OECD Report, 1975-76

Notes: *As per cent of dependent labour force. †Peak in period 1959-73 **For Great Britain as per cent of total employees, both employed and unemployed. %Registered unemployed. ††Peak in period 1957-73.

in other OECD countries. In Japan, the unit labour costs rose by 100 per cent between 1970 and 1974. During the same period, such increases were for West Germany 90 per cent, France 59 per cent, Belgium 84 per cent, the UK 47 per cent, Italy 57 per cent and Switzerland 92 per cent. With higher labour pressures for pursuing strong expansionary policies, it is not unlikely that inflation might make its appearance in 1977.

But this becomes all the more risky because the budget deficit usually leads to an excessive expansion in money supply and thereby an accelerated inflation. Wage demands are pitched high and with a new set of expectations built into the system, the rates of inflation at every 'stop' remain successively higher. As the time span gets prolonged to feed cost inflation in an effort to create more employment, the ultimate level of unemployment needed to cure inflation will go up at every level. Branding the post-War Keynesianism as largely responsible for erratic management of the economy the monetarists suggest the government permitting each year a 'fixed throttle' increase in the money supply commensurate with increases in productive capacity. For instance, a four per cent to five per cent annual increase in money supply matched against a 2½ per cent to three per cent annual rise in productivity may keep the system flexible and immune from the risks of inflation.

That this has actually happened is quite evident from the disparities in domestic price movements in developed

countries. While most of the industrialised nations are reflatting their economies as an anti-prologue to recession, inflation is rapidly accelerating to newer heights. As a result, the consumers' level is being gradually overheated. With its cautious recovery approach, the rise in consumers' level is quite moderate in the USA as opposed to western European countries where the upswing is quite preictive of future spurts. There are two other factors that set the trend on an uneasy path. First, the situation will definitely deteriorate if capacity limitations consequent upon insufficient capital investment engenders production constraints at an early stage of the current upswing, thus exacerbating the international liquidity on top of surging inflation. Second, the fresh wave of currency appreciation amidst growing uncertainties in the international market could well give rise to the preponderance of new cycles and thus make the situation more confusing by altering the cost-price parities of goods and primary commodities. (Table II)

The world economy is in a state of flux and unlike following a mere cyclical process has picked up certain traits unique to itself but difficult to reason out by the conventional tools of monetary and public policy. One is that manufacturing employment in major EEC nations has been either flat or declining since 1970, despite the rapid strides recorded during 1970-73. The fact that industrial expansion by itself is insufficient to provide a large number of jobs is typified by the phenomenal rise in unemployment ex-

perienced in 1974-75. This also reflects an underlying change in employment pattern which was delayed by the boom conditions of the early 1970s. It is uncertain how strange the political pressures to reduce unemployment may be as the current recovery gathers steam.

The transition to a period of relatively high unemployment may be difficult for the European policy makers now riddled with a serious problem of inflation. Because of heightened sensitivity to inflation any excess demand will show up in price rises quickly than in the past and the governments may feel frustrated by renewed inflationary pressures in their attempt to reduce unemployment levels.

It is this consideration that makes the immediate ongoings crucial. Economic policy in most countries during the past two years was focussed on trying to stem inflation with policy-makers unwilling to take strong action to move out of recession. However, solid growth has resumed in a few countries, most visibly the US and Japan and a more broadly based recovery seems to be under way. Excess demand is not such problem but inflation is still formidable. In the opinion of experts, the stop-go mechanism because of its more bumpy and uneven ride has proved to be of doubtful empirical validity and therefore needs a reshuffle. The consequent policy action implies that growth in 1976-77 will be relatively modest corresponding to the present stage of the business cycle and unemployment will be slow to decline.

TABLE II

Consumer Prices in Selected Major Industrial Countries
(Percentage changes seasonally adjusted)

Country	1949-53	1954-59	1960-65	1966-69	1970	1971	1972	1973	1974	1975-I	1975-III	1976-II*
Canada	3.4	1.6	1.6	4.1	3.4	2.9	4.8	7.6	10.9	10.6	9.0	9.5
United States	2.4	1.4	1.3	3.9	5.9	4.3	3.3	6.2	11.0	6.3	7.0	7.0
Japan	9.1	1.6	5.9	5.0	7.2	6.3	4.8	11.8	22.7	11.3	8.8	9.5
France	11.3	4.3	3.7	4.0	5.2	5.5	5.9	7.3	13.6	11.6	9.3	11.5
West Germany	0.4	1.6	2.6	2.3	3.7	5.3	5.5	6.9	7.0	5.8	5.3	4.5
Italy	3.1	2.2	4.5	3.4	4.9	4.8	5.7	10.8	19.1	16.9	9.0	11.0
United Kingdom	5.8	2.7	3.1	4.1	6.4	9.4	7.1	9.1	15.9	13.6	22.0	14.5

*Estimates.

Source : IMF and OECD Estimates

TRADE WINDS

Royalty on Indigenous Crude

THE UNION government has increased the rate of royalty payable in respect of crude oil and casing head oil produced in the country from the current Rs 15 per tonne to Rs 42 per tonne. The royalty rate has been enhanced since September 8, 1976, following representations of the governments of Assam and Gujarat who pressed for an increase on the ground that there had been steep rises in the world prices of crude oil since November 1973.

Earlier the rate of royalty had been revised under an award given by the prime minister in October 1972. At that time the rate had been increased from Rs 10 per tonne to Rs 15 per tonne. While fixing the royalty rate at that time, the prime minister's award had also made the new rate applicable upto March 31, 1979. However, in view of the representations of the governments of Assam and Gujarat, the matter was reviewed and a new rate now fixed.

The rate of royalty of Rs 15 per tonne, now revised, had not been fixed as a percentage of the sale price of crude but had been based on an agreement arrived at with the government of Gujarat and Assam, more or less on an *ad hoc* basis. However, on the two occasion prior to that the rate of royalty had been determined as a percentage of the price of the crude. The prime minister's award of 1962 adopted 10 per

cent of the actual selling price of crude as the basis for fixing royalty at Rs 7.50 per tonne. The prime minister's award of 1968 which increased the royalty rate from Rs 7.50 per tonne to Rs 10 per tonne was also on the basis of 10 per cent of the price payable for indigenous crude at that time.

The newly introduced rate of Rs 42 per tonne actually works out to more than 10 per cent of the selling price of indigenous crude. This would help Gujarat recover its losses on account of the recent amendment of the Central Sales Tax Act, 1956 which restricts the state governments in the matter of sales tax and under which the rate of sales tax on crude oil now cannot exceed four per cent. Prior to amendment of the Act, Gujarat levied a sales tax on crude oil at the rate of eight per cent *ad-valorem*. In Assam, sales tax was on volumetric basis and was levied at one paise per litre which worked out to four per cent *ad-valorem*.

Indigenous Crude Price

The government has fixed the price payable to producers of indigenous crude oil at Rs 36.64 per barrel. On this basis the price of crude works out to about Rs 275 per tonne. Assuming the base price to be Rs 300 per tonne, (inclusive of some transportation charges) the sales tax would work out to Rs 24 per tonne in Gujarat and less than Rs 12 per tonne in Assam. Following amendment of the Sales Tax Act there will

now be parity between the states of Assam and Gujarat in the matter of sales tax. There will also be parity between the two states in the rates of royalty on crude oil which is now fixed at Rs 42 per tonne. The present on-shore production of crude oil in the country is a little more than eight million tonnes divided more or less equally between Assam and Gujarat. As a result of enhanced rate of royalty Gujarat is expected to earn on current production an additional revenue of Rs 6 crores and Assam Rs 11 crores.

Textile Excise Relief

The government announced on September 9, 1976, the extension of the special excise duty relief scheme to some items of textile industry. Under the scheme which was announced by the Finance minister, Mr C. Subramaniam, while presenting this year's budget, excise relief is given to the extent of 25 per cent of the duty payable on goods produced in excess of production in a selected base year. The concession has already been extended to 44 items. The items of textile industry to which the scheme has now been extended are staple fibre and tow of both cellulosic and non-cellulosic origin, rayon and nylon tyre cord yarn and wool tops. The basic-material for nylon, caprolactum, has already been covered by the scheme as announced on June 17, 1976. The special scheme for excise relief is intended to boost production in farms and factories.

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Soda Ash Capacity

The soda ash capacity in the country is expected to go up to 1,071,000 tonnes from the present 63,000 tonnes when new units are commissioned at Tarapur (Maharashtra), Haldia (West Bengal) and Tuticorin (Tamil Nadu) and the existing

units at Mithapur (Gujarat) and Porbandar (Gujarat) are substantially expanded. There are at present four soda ash units in production at Mithapur, Porbandar, Dhrangadhra and Varanasi with the total installed capacity of 632,600 tonnes. During 1975 these units produced 541,000 tonnes of soda ash. The fifth Plan target of capacity is fixed at 1.1 million tonnes. It is expected that by the end of the Plan period 438,000 tonnes of additional capacity would be available bringing the total to 1.07 million tonnes. Soda ash is an important heavy inorganic chemical used as raw material in the manufacture of glass, glassware, sodium silicate, paper and pulp, textiles and bicromates etc. It is also used as washing material.

Credit Policy

The Reserve Bank of India has further tightened its credit policy by imposing a virtual ceiling on credit expansion in the current financial year and impounding a part of the lendable resources of banks. The policy, intended to control strictly the monetary liquidity in the economy as part of its anti-inflationary measures through regulating the lendable resources of banks, was announced on September 11, by the RBI Governor, Mr K. R. Puri, at his meeting with chief executives of major banks in Bombay.

The announcement makes a major departure from the tradition in that credit policy is formulated on an annual basis—in line with the objective of perspective credit planning—and subjected to review every quarter. In view of this, Mr Puri said the conventional way of looking at the credit situation on the basis of seasonality—busy season extending from Novem-

ber to April and slack season from May to October—"is no longer meaningful".

The following are the highlights of the policy: (1) Commercial bank should limit their credit expansion (other than for public food procurement and imported fertiliser transactions) during the current financial year to approximately the same order of expansion as in 1975-76, i.e. a growth of Rs 2,100 crores in the current year against Rs 2,048 crores in 1975-76. (2) Restricting with effect from November 1, 1976 the refinance available to banks on account of food procurement credit. It is stipulated that there will be no refinance up to Rs 1,000 crores (against 66-1/3 per cent hitherto) would be provided. (3) While keeping unchanged the basic refinance facilities—one per cent of demand and time liabilities plus 10 per cent on internal bills, which together work out currently to about Rs 300 crores—it is stipulated that all additional requirements of refinance and rediscount will be provided "on a strictly discretionary basis after a review of (bank's) credit budgets".

Public Sector Banks

Public sector banks increased their gross profits to Rs 30.69 crores in 1975 from Rs 29.20 crores in 1974, according to an official review published recently. In the case of 14 nationalised banks, the profits at Rs 23.24 crores against Rs 22.98 crores in 1974 declined as a percentage of working funds from 0.28 in 1974 to 0.24 in 1975. This is attributed to the rate of increase in expenditure being higher than rate of rise in income.

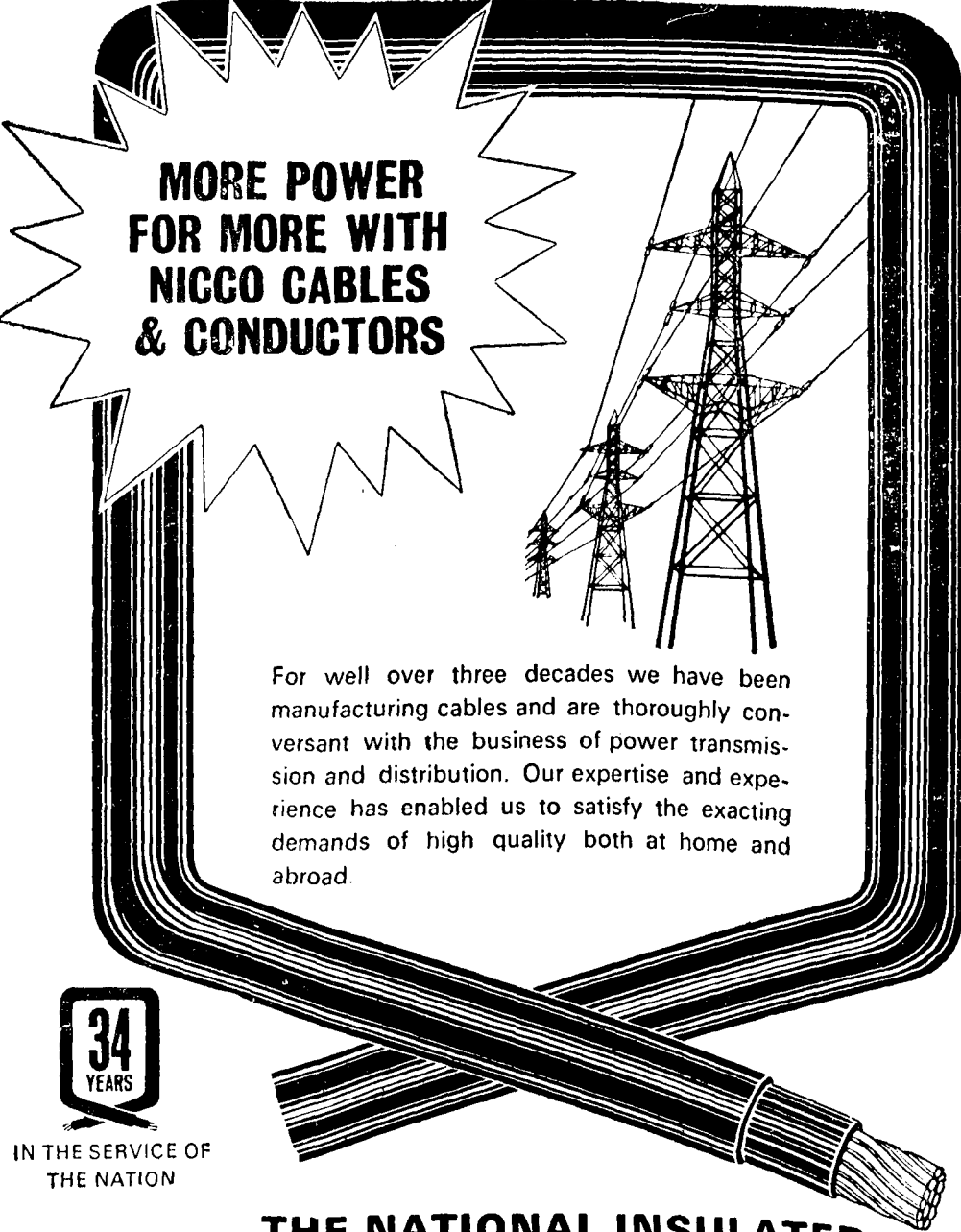
According to the Department of Revenue and Banking, the

profit position of these banks has to be viewed in the context of the overall expansion of their activities and coverage over the last five years. The new offices opened by public sector banks in rural, semi-urban and hitherto unbanked centres will take some more

time to break even. Further, the banks have made available credit facilities to weaker sections of the society at low rates of interest. Banks have also taken up several development activities which involve sizable addition to staff, cost of training, expenses over a

much larger number of advances and lower returns.

The income of all the public sector banks increased by Rs 263.33 crores in 1975 against Rs 286.11 crores in 1974. The expenditure showed an increase of Rs 260.89 crores against Rs 281.06 crores



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in 1974. The review of the working of public sector banks during 1975 says that 1629 new offices were opened during the year. The total deposits of public sector banks increased from Rs 9,632 crores at the end of December 1974 to Rs 11,488 crores at the end of December 1975.

Vacant Lands for Industrial Purposes

The ministry of Works and Housing, has issued guidelines to the state governments for dealing with applications for exemption of vacant land held for industrial purposes. The guidelines lay down that every person holding vacant land in excess of the ceiling limit should file a statement under Section 6 of the Act to the competent authority and make an application to the state government for exempting land required for industry, for its present use, for establishment of ancillary units connected with the industry, for future expansion etc.

Delegation for Australia and New Zealand

A five-member trade delegation sponsored by the Engineering Export Promotion Council left for Australia and New Zealand recently. The team was led by Dr B. V. Bhoota, former chairman of EEPIC. The other members were Mr M. A. Sujan, chairman of EEPIC (western region), Mr N. P. S. Shinh (New Delhi), Mr M. Ramaswamy (Madras) and Mr V. Kumar, secretary of EEPIC. The delegation proposes to explore possibilities of export of select engineering goods, particularly, machine tools, diesel engines and parts, electronic components, auto ancillaries, castings and forging. The possibilities for undertaking turn-key projects and sub-contracting in third coun-

tries, and joint ventures would also be explored. The total import of engineering goods into Australia has been of the order of Rs 3,749 crores. India's share has been only Rs 6 crores in 1975-76. Similarly, import of engineering goods into New Zealand in 1974-75 amounted to Rs 491 crores against which India's share was Rs 2 crore. The visit of the delegation was timed with the annual Australian International Engineering Exhibition in Sydney from September 13 to 18.

Engineering Export Prospects

A study of engineering export trends completed by the Association of Indian Engineering Industry (AIEI) based on response from 114 select engineering exporters indicates optimistic prospects. As many as 61 per cent of the respondents expect improved export prospects during April 1976—March 1977 as against 34 per cent expressing this in October 1975 for the period October 1975—September 1976. Similarly only six per cent are pessimistic about export prospects during 1976-77 as compared to 25 per cent in the previous period. Value of export deliveries are also expected to be higher in the six months ending September 1976 according to 67 per cent of the respondents as compared to 38 per cent reporting this for the period October 1975—March 1976.

The average prices at which export orders are booked are however expected to be steady during the six months ending September 1976 according to 60 per cent of the respondents. Nearly 21 per cent forecast an improvement in average prices of export orders during April-September 1976 against 12 per

cent reporting this in the six months ending March 1976.

Trade Mission for Poland

A 10-man delegation consisting of industrialists and representatives of the public sector undertakings, headed by the Indo-Polish Chamber of Commerce & Industry (IPCCI) president, Mr H. P. Nanda is leaving for Poland on October 2 and will be in Poland till October 10. The purpose of the mission is to explore avenues for introducing a wide range of non-traditional items including hand tools, builder's hardware, sanitary fittings, steel cutlery with plastic handles, kitchenwares, handicrafts and jewellery, electrical appliances for domestic use, machine tools, aluminium cables, carpets jute products like carpets, backings and possibly bags, marine products, plastic products, stationery, animal feed compounds etc.

Coal Production & Productivity

The Central Coalfields Limited (CCL), a subsidiary of Coal India Limited, has registered 20 per cent increase in productivity during the last two years. The output per man shift (OMS) which was .63

G. D. Birla Forecasts Hopeful Times

Speaking at a reception given in his honour by the Bangalore Stock Exchange, Mr. G. D. Birla stated that India would become the most powerful country in Asia within the next 10 years. There was stability in the government, there was right thinking and whether at the centre or in the states all wanted the country to march forward, he pointed out. After the emergency there was industrial peace and the gheraos and morchas, which were dreaded, had disappeared. Inflation had been checked and the foreign exchange position was satisfactory, he said.

Mr Birla pointed out that the reduction in wealth tax and income-tax announced in the last budget had encouraged production and new investment. The clarifications on bonus shares and the lifting of the restrictions on dividend had further improved the climate for investment enormously. The Bombay Stock Exchange was buoyant and there was a scarcity of scrips. Although the return was not very attractive, scrips were being picked up. He further stated that the slogan of self-reliance had created a situation in which every thing would be produced in India.

tonnes in 1973-74 rose to 76 tonnes in 1975-76. The production of raw coal during the last two years has risen from 15.5 million tonnes to 20.7 million tonnes showing an increase of 33 per cent. The production of washed coal during the same period has increased by 40 per cent. In 1975-76, production was 3.17 million tonnes against 2.25 million tonnes in 1973-74. The increase in production has been achieved without any addition to the company's work force. The coal production during April to July this year was 6.345 million tonnes showing an increase of 227,000 tonnes over that of the same period last year. The production of washed coal during the same period this year has gone up by 149,000 tonnes.

Sugar Output

According to the Indian Sugar Mills Association, the sugar production in the month of July 1976, the tenth month of the season 1975-76 was about 8,000 tonnes as against 14,030 tonnes during the corresponding period last season. This brings the total production during the first ten months of the season 1975-76 to about 4,236,000 tonnes as against 4,763,000 tonnes during the corresponding period last year. The off-take of sugar from factories during the month of July, 1976, was about 289,000 tonnes for internal consumption and 57,000 tonnes for exports as against about 368,000 tonnes for internal consumption and 83,000 tonnes for exports last season. The total despatches in the first ten months in 1975-76 was 2,961,000 tonnes for internal consumption and 933,000 tonnes for export as against 2,817,000

tonnes for internal consumption and 685,000 tonnes for exports during the corresponding period last season. The total closing stock of sugar with the factories as on July 31, 1976, was about 1,549,000 tonnes as against 2,089,000

tonnes on the same date last season.

Name in the News

Mr. K.L. Puri has taken over as Chairman Central Electricity Authority under the ministry of Energy. Mr. Puri

was with the Bharat Heavy Electricals Ltd where he has served in various capacities. He was the General Manager of Hardwar division and his last appointment in the Bharat Heavy Electricals was that of the Executive Director.



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COMPANY AFFAIRS

Birla Cotton

THE BIRLA Cotton Spinning and Weaving Mills Ltd has suffered a set-back in its working the year ended March 31, 1976. The performance of the textile mills at Delhi was adversely affected as a result of continued demand recession and heavy losses in the manufacture of controlled cloth and increase in prices of some inputs. However, efforts are being made to improve the working of the mills and reduce costs wherever possible. The scheme involving substantial capital expenditure for overhauling and rehabilitating machinery and equipment has already been undertaken with a view to improve the working of the mills.

Demand Recession

The Chenab textile mills was also affected due to frequent power cuts and demand recession and consequent fall in the prices of staple yarn. There has been delay in the completion of the expansion of the mills on account of delay in sanctioning of loans by the financial institutions. Meanwhile some of the spindles installed under the expansion programme have already started production.

During the year under review the company succeeded in pushing up further the sales of its products overseas to the tune of one crore of rupees. The exports prospects during the current year, however, are not encouraging.

The working of the company

during 1975-76 has resulted in a loss of Rs 12.43 lakh and hence the directors have not declared any dividend for the year.

Mysore Cements

Mysore Cements Ltd has reported commendable progress during the year ended June 30, 1976. Sales during the year were higher at Rs 12.31 crores as against Rs 10.16 crores in 1974-75 while the profit earned during the year amounted to Rs 135.29 lakhs as compared to Rs 112.71 lakhs in the preceding year. Out of the profit a sum of Rs 4.00 lakhs was transferred to investment allowance reserve, Rs 68.29 lakhs to general

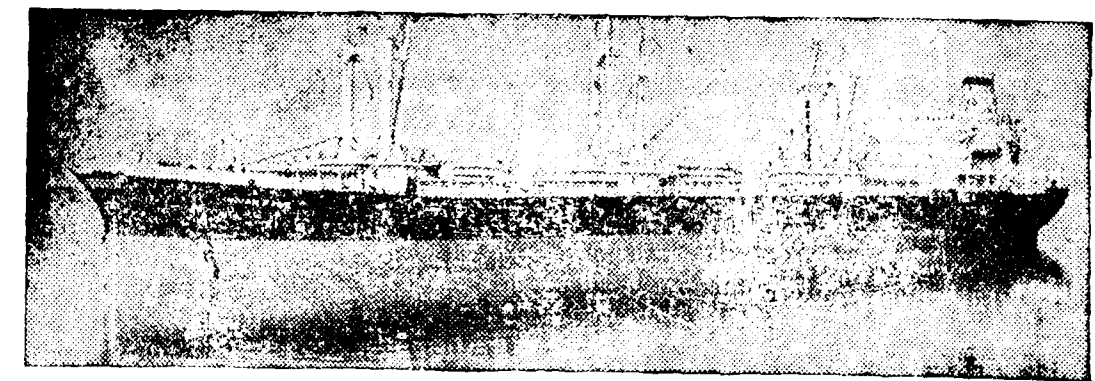
reserve and Rs 63.00 lakhs for meeting tax liabilities. The directors have stepped the equity dividend from 12.5 per cent to 15 per cent. The recommended dividend will absorb Rs 26.99 lakhs and will be paid out of the general reserve. Production of clinker rose from 3.47 lakh tonnes to 3.87 lakh tonnes and that of cement from 3.71 lakh tonnes to 4.34 lakh tonnes. Although production has improved, the full capacity of the plant brought about by modification and installation of balancing equipments, could not be utilised on account of the 10 per cent power cut which continued up to March 1976.

The profitability, although better, has not increased correspondingly with the sales, on account of the steep rise in the manufacturing expenses during the year. The price increase which was due from July 1, 1975, and granted to the industry only from October

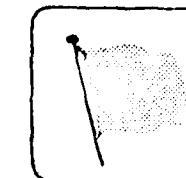
1, 1975, did not neutralise the increase in the manufacturing costs completely owing to the fact that as per the recommendation of the Tariff Commission, the freight increase on the movement of coal is compensated only up to a maximum distance of 975 kms which is the all-India average, but in the case of the company, it works out to be 1750 kms. The delay of three months in the announcement of the new price also caused a loss of Rs 19.96 lakhs to the company.

Increasing Production

In order to utilise the extra built-in capacity of certain departments, the company, as per the feasibility report prepared by Birla Consultants, has decided to instal a clinker manufacturing unit to increase the capacity of the plant by one lakh tonnes per annum. This project, when completed by May-June 1977, would bring in all-round economy in the



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manufacturing cost and improve further the profitability of the company.

Seshasayee Paper

Satisfactory progress has been reported by Sashasayee Paper and Boards Ltd., during the year ended March 31, 1976. Production of paper and boards moved up to 31,964 tonnes from 29,495 tonnes in the preceding year. The production during the year would have been still higher but for the massive power cut ranging between 40 per cent 85 per cent during April-June 1975. Sales during the period under review was marginally lower at 29,190 tonnes as compared to 29,729 tonnes in 1974-75. The drop in sales was due to decline in demand caused by the general recession that prevailed in the economy. This apart, the allottees under the Paper (Control of production) Order 1974 have failed to fulfil their off-take resulting in a large increase in inventories in most of the mills in the country. These factors have contributed a sizeable downward trend in prices. In the circumstances the company was compelled to effect price reduction and grant of rebates on certain varieties of paper.

Lower Profits

The profit margins were seriously eroded during the year because of lower price relations and also due to all-round escalation in operating costs. The profit after providing for the depreciation amounted to Rs 227.25 lakhs and after meeting tax liability the disposal surplus amounted to Rs 85.25 lakhs. Out of this, Rs 2.20 lakhs was transferred to special reserve and Rs 20.00 lakhs to general reserve. The directors have recommended a dividend of 12 per cent on the enlarged capital of Rs 5.25

lakhs. This will absorb Rs 63.00 lakhs, leaving a balance of Rs 0.05 lakhs. After adding the balance brought forward from the previous year, the sum of Rs 0.63 lakhs has been carried forward to the next year's account.

The company's expansion project to increase the annual installed capacity of paper and boards by 20,000 tonnes to 55,000 tonnes is progressing according to schedule. Firm orders have been placed for major items of machinery and equipment.

Mohan Meakin

Mohan Meakin Breweries' sales at Rs 34.02 crores during the year ended March 31, 1976 were the same as that of 1974-75, but the profit before tax recorded a steep decline from Rs 2.78 crores to Rs 1.42 crores. The fall in profit is attributed to cost escalations beyond the control of the company on the one hand and sluggish demand on the other. To keep the machines fully occupied and promote sales of company's products, aggressive sales promotion schemes were undertaken including that of reduction in prices of certain products.

As an active participant in export promotion scheme of the government, the company almost doubled the export of its products, in comparison to previous year, despite world-wide recessionary trends and international competition. In the export of its products the company incurred losses as the incentives given by the government were not sufficient to offset the losses. Representations are being made to the government for allowing higher incentives so that losses may be minimised.

With the easing of recessionary trends the sales in the

first quarter of the current year were higher by 33 per cent over the same period of last year. Hence significant improvements in working results are expected during the year 1976-77.

The directors have recommended an equity dividend of 12 per cent for 1975-76, the same as in 1974-75. It will absorb Rs 51.05 lakhs.

Simco Meters

Simco Meters has reported impressive improvements in its working result during the year ended March 31, 1976. Turnover went up to Rs 230.77 lakhs, an improvement of about Rs 44.77 lakhs over 1974-75. The turnover in meters increased from Rs 102.66 lakhs to Rs 140.28 lakhs while the turnover of products other than meters advanced to Rs 90.50 lakhs from Rs 83.86 lakhs in the preceding year. The order book position of the company is satisfactory and the company hopes to register further marked growth during the current year.

Impressive Results

The company's working during 1975-76 has resulted in a surplus of Rs 22.31 lakhs out of which a sum of Rs 4.54 lakhs was appropriated to depreciation reserve, Rs 0.25 lakh to special reserve and Rs 8.50 lakhs for taxation, leaving a balance of Rs 9.02 lakhs. The directors have recommended a dividend of 12.5 per cent on equity shares and nine per cent on preference shares. The dividends, equity and preference, will absorb Rs 5.86 lakhs. The balance of Rs 3.16 lakhs has been transferred to general reserve No 1.

The company has manufactured indigenously the "ground starting aggregate" required by the defence authorities and hence received the National Award (Bronze Shield) for

import substitution. The company has also received "NIF Escorts Research and Development Import Substitution Award".

Stewarts and Lloyds

The encouraging performance of Stewarts and Lloyds of India Ltd during 1975 has been highlighted by the chairman Mr S.L. Dass in his annual statement circulated to the shareholders of the company. Sales during the year rose to Rs 7.80 crores, registering an increase of 22 per cent over the preceding year while profit before taxation too recorded an appreciable rise to Rs 48.54 lakhs as against Rs 35.08 lakhs in the earlier year. The results are indeed gratifying because they were achieved during a period when industry as a whole and the engineering industry in particular was in the grip of a serious depression. Besides the company has started deriving benefits from its efforts directed towards greater sophistication both in its production and construction activities. Moreover, the company has successfully overcome its serious problem of liquidity but unfortunately several of its major clients continued to suffer from it, thus preventing them from proceeding with the execution of their projects. This coupled with the general recessionary conditions resulted in a drop in order bookings during the second half of the year. But for this the company's results might have been better.

Ramon & Demm

Sales of Ramon and Demm for the year 1975-76 were lower at Rs 3 crores as against Rs 3.35 crores in 1974-75 while production during the year 1975-76 declined to 784 tonnes from 1003 tonnes in the preceding year. During 1975-76

the company earned a gross profit of Rs 9 lakhs before making provision for depreciation as against gross loss of Rs 5 lakhs in the previous year. After allowing Rs 26 lakhs for depreciation there is a net loss of Rs 17 lakhs during the year. In 1974-75 the net loss amounted to Rs 34 lakhs after making provisions of Rs 29 lakhs for depreciation and development reserve. The recession and consequent under utilisation of capacity have adversely affected the working of the company during the year under review.

The company's expansion programme to increase its installed capacity for manufacture of gears is making satisfactory progress. All the machines required to be imported for the expansion project have already arrived. Most of the indigenous machinery have also been received at the factory site. It is expected that the expansion project will be completed soon and commercial production will commence by the end of the year.

News and Notes

Garware Nylons proposes to invest Rs 10 lakhs in the equity capital of Modern Nets Ltd, a company which has been set up recently. This company will undertake the manufacture of fishing nets from nylon high density polyethylene and other plastic materials. It is expected that the government of Maharashtra will participate in this venture. Nylon yarn required by the new company will be supplied by Garware Nylons. The application for the issue of the necessary import licence is pending before the central government.

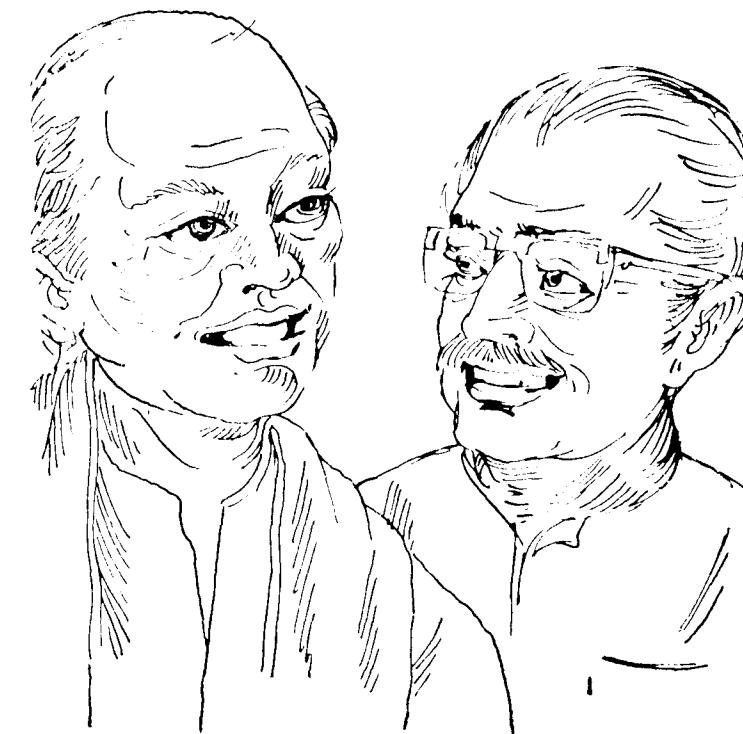
The Rs 5-crores expansion

project of Gujarat Alkalies and Chemicals Ltd for doubling the capacity of its caustic soda/chlorine plant at Baroda has been approved by the government of India. The letter of intent in this regard has been granted for expansion of capacity in respect of manufacturing caustic soda, liquid chlorine as

well as hydrochloric acid. The Rs 12-crores caustic soda/chlorine project now being implemented by Gujarat Alkalies and Chemicals Ltd in Baroda is a Gujarat state project sponsored by Gujarat Industrial Investment Corporation Limited. According to the original licence, the plant is

now in the throes of starting trial run for production of 37,425 tonnes of caustic soda, 33,000 tonnes of chlorine and 15,000 tonnes of hydrochloric acid. The approval for doubling the capacity will allow expansion of caustic soda production up to 70,425 tonnes, production of liquid chlorine

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up to 64,000 tonnes and production of hydrochloric acid up to 29,000 tonnes.

"Yogakshema", the monthly magazine of the Life Insurance Corporation of India has been adjudged 'Magazine of the Year' by the Indian Association of Industrial Editors for their annual awards for the year 1975. It has also earned first prize in the category of External Magazines.

"Yogakshema" is the prestige publication of the LIC and has earned several distinctions in the past from different bodies such as All-India Printers' Conference, Commercial Artists' Guild, etc. It is the main organ for communication with the development force of the LIC over the country.

World Bank Credit

The World Bank has agreed to give another line of credit to IDBI amounting to \$40 million for on lending to state financial corporations. Under this credit, the Rajasthan Financial Corporation (RFC) would grant loans to small and medium scale industrial projects for setting up new units as well as for expansion, diversification, modernisation etc of existing units in the state in cases where at least some portion of the loan is for financing import of equipment from abroad and/or for technical know-how etc in special cases.

The RFC would extend loans in rupees to cover the local costs and the estimated foreign exchange cost from Rs 10,000 to Rs 30 lakhs for a maximum period of 10 years at an interest rate of 11½ per cent per annum to small scale units covered under credit guarantee scheme, technician entrepreneurs and projects in backward areas. For others the rate of interest would

be 12 per cent per annum. Under this line of credit, import licences are to be issued expeditiously.

Unlike the first IDA line of credit of \$25 million, the projects with a capital cost in excess of Rs 1 crore would also now be eligible for assistance under this new World Bank credit. The RFC had sanctioned Rs 2.01 crores to 13 industrial units under first IDA line of credit including foreign exchange component of Rs 81 lakhs.

New Issues

Kulkarni-Black & Decker Ltd., promoted by Kulkarni Engineering Associates Private Ltd of Sangli and the Black & Decker Manufacturing Company of USA, is setting up a Rs 1.25 crore electric power tool factory at Shirol in Kolhapur district. The company's products will include a broad range of electric power tools such as drills, grinders, sanders, saws, etc.

Black & Decker are pioneers in the world power tool market having about 65 years' experience behind them. The Black & Decker group will provide know-how on a continuing basis to the company and assist it to market its products abroad using Black & Decker worldwide marketing network. Besides Black & Decker is subscribing to the extent of 40 per cent in the equity share capital of the new company.

The design work of the project is completed and the preliminary work at factory site is already under way. The company is slated to go into commercial production by the last quarter of 1977. The company will have an equity capital of 50 lakh rupees and expects to enter the capital market shortly.

Capital and Bonus Issues

Consent has been granted to following companies to raise capital. The details are given below:

Mafatlal Industries Limited, Ahmedabad, has been accorded consent, at a premium of Rs 125 on a share of Rs 125. 37,730 shares shall be issued to equity shareholders, other than the shareholders belonging to the Mafatlal group on right basis and 47,706 shares shall be offered to the public by prospectus. The proceeds of the issue will be utilised for meeting a part of the finance for the expansion programme of the company.

Needle Roller Bearing Co; Ltd. has been accorded consent, valid for six months, to capitalise Rs 20 lakhs out of the general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Kay Iron Works Private Limited, Yamunanagar, has

been accorded consent, valid for six months, to capitalise Rs 259,780 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for each equity share held.

Chalan Engineering Corporation Limited, Tamil Nadu, a public limited government company registered in Tamil Nadu, has been granted consent valid for 18 months, for issue of convertible debentures of the value of Rs 10 lakhs to their employees for cash at par. The object of the issue is to implement the scheme of the government of Tamil Nadu for encouraging employees participating in the ownership of the corporation.

Carburettors Limited, Madras, has been accorded consent, valid for six months to capitalise Rs 102,100 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every equity share held.

Name of the company	Year ended	Dividend			
		(Per cent)			
		Equity dividend declared for			
		Current year	Previous year		
Higher Dividend					
Bajaj Auto	June 30, '76	18.0*	12.0**		
Teekoy Rubber (India) Ltd.	March 31, '76	12.0	10.0		
Kil Kotagiri Tea & Coffee Estates	March 31, '76	12.0	7.0		
Sutlej Cotton	March 31, '76	10.0	6.0		
Same Dividend					
Ramon and Demm	March 31, '76	Nil	Nil		
Kurchermal Plantations	March 31, '76	5.0	5.0		
Kanoria Chemicals	March 31, '76	12.0	12.0		
Reduced Dividend					
Laxmi Starch	March 31, '76	6.0£	12.0		
Bajaj Electricals	March 31, '76	Nil	10.0		
Poysha Indurtial Co.	March 31, '76	Nil	10.0		
*15 Months ended June 30, 1976 **12 Months ended March 31, 1975 £ On the enlarged capital					

RBI's review of economy and banking trends

Given below is the summary of the report of Central Board of Directors on the working of the Reserve Bank of India and trend and progress in Banking in the year ended June 1976.

Overall Assessment

The estimated growth of national income during the year 1975-76 (at 1960-61 prices) was 5.5 per cent, against barely 0.2 per cent in 1974-75. The growth rate may in fact turn out to be somewhat higher. It was possible to put the economy back on its normal growth path in 1975-76, whereas in 1974-75 an element of normalcy was restored to an economy which had passed through an unusually high rate of inflation in the previous two years. Besides the overall high growth rate, the year was notable for price stability, a significant rise in the rates of domestic saving and investment, and a move towards the eventual emergence of a viable external payments position.

Containment of prices was an outstanding achievement. Not only were prices contained but there was actually a decline of 6.0 per cent in prices based on monthly averages. Domestic saving as a proportion of national income at current prices was higher at 14.5 per cent, against 13.1 per cent, and aggregate investment at 16.0 per cent, against 14.8 per cent in the previous year. In point of fact, these are the highest rates of saving and investment achieved since the beginning of the fourth Plan.

The overall external payments situation showed a remarkable improvement notwithstanding the persistence of a sizeable trade deficit for the second year in succession. There took place an unprecedented increase in the country's foreign exchange reserves. Taken together, these features suggest that 1975-76 has bequeathed an economy which can provide a strong base for sustaining growth in the remaining years of the fifth Plan. The declaration of internal emergency and the launching of the new Economic Programme have, by toning up economic administration and ensuring effective implementation of specific time-bound programmes, contributed in no small measure to the growth of the economy.

Output Trends

Considered sectorally, growth in 1975-76 was rather uneven, being 8.0 per cent in agriculture and 5.7 per cent industry. Although climatic factors continue to dominate the trend of agricultural production—weather conditions were quite favourable during the year—the investment-induced growth component was quite significant in 1975-76. This is reflected in a substantial increase in the use of agricultural inputs like fertilisers, power and water. In industry, while core sector

RECORDS AND STATISTICS

industries like coal, electricity, iron and steel, cement and nitrogenous fertilisers increased their production at rates above 10 per cent, industries like textiles and consumer durables recorded a decline in output. While input bottlenecks especially in the sphere of energy and raw materials no longer hampered industrial growth, slackness in demand emanating from both domestic and external factors began to affect some sub-sectors, even as in some sub-sectors problems of modernisation both of capital equipment and management began to assume greater importance.

Price Situation

The general trend of prices was downward, with a decline of 3.0 per cent over the year in wholesale prices, in contrast to the phenomenal rise of 21.5 per cent in 1972-73 and 27.8 per cent in 1973-74 and a nominal rise of 0.7 per cent in 1974-75. This dramatic change was basically due to an improvement in the supply-demand balance, particularly in agricultural commodities; production of foodgrains touched a new record of 118 million tonnes (according to recent reports) and that of oilseeds also reached a new peak. The supply situation was buttressed by the continuation of monetary and fiscal policies aimed at demand management, on the one hand, and by administrative measures designed to curb hoarding and use of unaccounted money, on the other.

	National Income, Saving and Investment	
	1974-75	1975-76
National income (% growth at 1960-61 prices)	0.2	5.5
Domestic saving*	13.1	14.5
Inflow of foreign resources*	1.7	1.5
Aggregate investment*	14.8	16.0

*As % of national income at current prices.

Fiscal Policy

The policies of central and state governments were geared towards maintaining price stability while promoting growth. Efforts initiated in the previous year to mobilise resources were further reinforced. While total disbursements rose by 21.0 per cent or at about the same rate as in 1974-75, total receipts increased by 23.9 per cent as against the rise of 19.9 per cent during the previous year. The rise in receipts was the cumulative result of additional tax efforts, better tax administration, and success of the scheme of voluntary disclosure of income and wealth. Consequently, the combined budgetary deficit of Rs 468 crores was substantially lower than Rs 752 crores in 1974-75. In fact, sub-

	Budgetary Position	
	(Central and state governments) (Rs crores)	
	1974-75	1975-76
Receipts	15,503	19,206
Disbursements	16,255	19,674
Of which: developmental expenditure	7,846	9,362
Net position	-752	-468

sequent data show that the combined deficit for 1975-76 was only Rs 351 crores.

Credit Policy

The basic anti-inflationary stance of credit policy remained unchanged, with the continuation of the existing structure of interest rates, fairly restrictive Reserve Bank accommodation to banks, greater degree of discipline in the deployment of credit by commercial banks, and implementation of credit guidelines designed to discourage speculative holding of inventories. At the same time, the anticipated enlargement of supplies, both agricultural and industrial, warranted introduction of some degree of flexibility. The approach to credit policy was therefore motivated by the objective of facilitating a higher rate of growth in the economy while maintaining the overall apparatus of monetary restraint largely intact. The various measures introduced during the year bear ample testimony to the degree of flexibility which it has been possible to impart to credit policy, without endangering price stability. These included :

- Financing by commercial banks of food procurement/stocking on an enormously larger scale (with the support of the Reserve Bank) as reflected in the total food credit of Rs 2,283 crores outstanding as on July 9, 1976.

- Enhancement of minimum limit for prior credit authorisation under the Credit Authorisation Scheme from Rs 1 crore to Rs 2 crores.

- Withdrawal of additional margins on book debts/inventories and levy of commitment charge on unutilised portion of cash credit limits.

- Liberalisation of inven-

tory norms for industries such as jute, paper, automobile ancillaries and cotton spinning mills.

- Prescription of a ceiling on lending rates charged by commercial banks at 16.5 per cent (including tax on interest income) for bigger banks and 17.5 per cent for smaller banks.

- Advice to banks to provide larger term loans to industry for periods beyond three years at a rate not exceeding 15 per cent; effective April 1976, the ceiling rate fixed is 14 per cent for loans granted for periods not less than seven years.

The Reserve Bank endeavoured to further sharpen the methods and measures of credit planning with a view to bringing about a more meaningful correlation between the demand for and the supply of credit. Banks are now required to prepare quarterly credit budgets, as against the earlier practice of preparing annual or seasonal budgets.

Bank Credit

The impact of flexible approach is reflected in credit trends during 1975-76; scheduled commercial banks' credit expanded by Rs 2,569 crores (28.0 per cent) which was more than double the expansion of Rs 1,097 crores (14.0 per cent) in 1974-75. Although both food and non-food sectors shared the increase, the rise of Rs 1,390 crores in food credit was substantially larger than Rs 272 crores in the previous year; it accounted for as much as 55.7 per cent of the incremental expansion, against only 24.8 per cent in 1974-75. The credit-deposit ratio as on June 25, 1976 stood at 76.1 per cent, against 71.4 per cent a year ago. Excluding food credit, the ratio at 61.6 per cent was

lower than 65.1 per cent a year ago.

Deposit Growth

In judging the magnitude of bank credit expansion in 1975-76, it is more important to underline that the banks' own resources expanded at a much faster rate. Total deposits increased by Rs 2,512 crores (20.0 per cent), against Rs 1,788 crores (16.6 per cent) in 1974-75; the increase in absolute terms in 1975-76 was the largest recorded so far.

Money Supply

The impact of the relatively larger expansion of bank credit is reflected in the rise of Rs 1,375 crores (11.3 per cent) in money supply with the public in 1975-76 which was no doubt significantly larger than Rs 737 crores (6.4 per cent) in 1974-75. But the comparison may not be appropriate, for the rate of money supply expansion had been restrained in 1974-75 within a narrow range due to special factors like the support derived from the IMF draws. If compared with the average annual rate of expansion of 15 per cent during the three-year period 1971-72 to 1973-74, the rate of expansion in 1975-76 was considerably lower. More importantly, there was a qualitative difference in the character of money supply expansion: expansion in 1975-76 came about in the wake of an increase of 5.5 per cent in real national income, unlike expansion in the previous years with the sole exception of 1973-74 which took place when national income was practically stagnant. An even more important qualitative difference lies in the factors responsible for expansion. First,

the net foreign exchange assets of the banking sector recorded an unprecedented rise of Rs 969 crores as per monetary data. Secondly, the magnitude of bank credit expansion was much larger in 1975-76, but this could be explained largely in terms of food credit. Significantly, in view of the larger accretion of deposits, banks were able to finance credit expansion to a considerable extent from their own resources rather than by borrowings from the Reserve Bank. Consequently, the potential inflationary impact of this factor was moderated somewhat.

Money, Banking and Prices (Rs in crores)			
	June 1975	June 1976	
Money Supply	12,187	13,562	
Deposits	12,544	15,056	
Credit	8,955	11,464	
Credit-deposit ratio	71.4	76.1	
Wholesale prices (1961-62=100)	311.0	301.8	
Consumer prices (1960=100)	328	291	

Exchange Reserves

The external sector of the economy presented in 1975-76, in refreshing contrast to the earlier years, distinct signs of strength. This strength manifested itself in an unprecedented rise of Rs 881 crores in foreign exchange reserves despite the persistent sizeable trade deficit. Exports rose by only 16 per cent, against 32 per cent in 1974-75. Although import growth at 11 per cent was also sizeably lower than 53 per cent, the trade deficit at

Rs 1,155 crores remained practically unchanged at the previous year's level of Rs 1,189 crores. The rise in reserves was attributable primarily to larger inflow of aid and increased invisible receipts. Such improvement may have been due in large part to the plugging of foreign exchange leakages. If these indicators are any guide, one can hope for an improvement in India's balance of payments position in the long run.

Delinking of Rupee

An important landmark in the external sector was the delinking of the rupee from the pound sterling from September 25, 1975. The external value of the rupee since then is being determined in terms of a basket of currencies of countries which are India's major trading partners. The effect of this change has been to stabilise the value of the Indian rupee vis-a-vis currencies other than sterling and to increase the purchasing power of the rupee in terms of sterling. This has contributed to some extent to the stabilisa-

tion of prices, by preventing an increase in the prices of imported commodities and services.

The all-pervasive impact of the internal emergency and the 20-point Economic Programme on the economy is reflected in industrial harmony, reduction in both speculative hoarding and use of unaccounted money, raising of efficiency in administration in general and in public sector undertakings and in tax administration in particular, and strengthening of the reserves position consequent on anti-smuggling operations.

Assuming favourable weather conditions, it seems reasonable to expect a somewhat moderate growth in agricultural production. The factors taken into account in this context are, among others, the general improvement in the supply of inputs like fertilisers, power and quality seeds, the emphasis on irrigation in the 20-point Economic Programme, and an anticipated rise in private investment in view of the rise in agricultural incomes in 1975-76.

Investment Climate

The present state of the economy appears to provide suitable conditions for the absorption of higher doses of investment, without impairing price stability. The sizeable stocks of foodgrains already built up and the existing potential for increasing the production of textiles seem to guarantee adequate availability of wage-goods. The climate for ensuring larger investment in both public and private sectors has already been created with the central government taking the lead to step

up Plan outlay in 1976-77 by 31.4 per cent.

The ability of the public sector to step up investment has greatly improved both because of the tightening of

Production Trends in Agriculture and Industry

	(Million tonnes)	
	1974-75	1975-76
Agriculture		
Foodgrains	101.1	116.0
Rice	40.3	48.0
Wheat	24.2	28.0
Other foodgrains	36.6	40.0
Oilseeds	8.4	10.6
Sugarcane-gur	14.3	14.5
Cotton (million bales)	7.1	6.7
Jute (million bales)	5.8	5.8
	1974-75	1975

Industry

Finished steel	4.9	5.6
Cement	14.3	16.2
Fertilisers	1.4	1.8
Cotton Cloth - mill (million metres)	4,316	4,079
Bicycles (millions)	2.5	2.2
Coal	86.9	98.7
Petroleum products	19.4	20.2
Electricity (million kwh)	68,212	75,717
Power transformers (000 KVA)	9,002	11,161
Diesel engines (thousands)	115	139

tax administration which might boost tax receipts and also because of the considerable scope for drawing on foreign reserves more freely than in the past. In addition, the government has recently taken a number of measures to boost private sector investment which include the reform of licensing, initially easing of restrictions on declaration of dividends, and finally removing the restriction altogether, and issue of bonus shares, liberalisation of import policy, and grant of tax incentives for increasing production in selected industries. Further, the central budget for 1976-77 had laid greater emphasis on rationalising the direct tax structure and increasing incentives for savings and investment. Although there is a time-lag between stimulation by the government and response to it by the private sector, it is reasonable to expect that private sector investment will tend to pick up in 1976-77, even as public investment is stepped up.

Capital Market

Although the capital market continues to remain sluggish, it is showing signs of revival: for instance, new capital issues by non-government public limited companies in 1975-76 (April-March) at Rs 93 crores were substantially larger than Rs 52 crores in 1974-75. Further, the size of support from term-lending institutions was also larger: both sanctions and disbursements of IDBI, ICICI and IRCI, which generally account for about two-thirds of the total financial assistance by term-lending institutions, were higher in 1975-76 by 33 per cent and 24 per cent, respectively, as compared with the previous year.

A major preoccupation of

economic policy in the coming year would be to revive industrial growth. Three planks of policy have been visualised for attaining this objective, namely, a sizeable step up in investment, correction of recessionary trends in sub-sectors affected by slackness of demand, and promoting fuller capacity utilisation. The impact of all these measures may not be reflected immediately in the rate of industrial growth in 1976-77 itself, but what is important is to ensure greater expansion of the potential for industrial growth over a period.

Affected Industries

Some industries affected by slackness of domestic demand might stage a recovery, the textile industry being a case in point. Thanks to a sizeable increase in agricultural incomes in 1975-76, the rural demand for textiles may rise. Similarly, the reduction in rates of tax on income and wealth in the 1976-77 budget and the adjustments made recently in excise duties might perhaps re-suscitate the demand for consumer durables. Lastly, since there is expected to be a recovery, at any rate moderate, from the world recession, export demand for Indian industrial products might tend to pick up. Recently, an attempt has also been made to strengthen the existing framework of export incentives; measures taken in this context include additional cash incentives to many engineering goods and to some traditional products, increased import entitlements, reduction in export duty, and faster payment of cash assistance and duty drawback.

The picture of industrial growth prospects for 1976-77 is thus clear. On the one hand, it may not be possible to repeat

the unusually high rates of increase in production achieved in 1975-76 by some core sector industries; on the other, the declining trend in production witnessed by some other industries might be reversed. Already there are indications that the pace of industrial growth has picked up: for instance, the index of industrial production during the first four months of 1976 was higher by as much as 11.5 per cent than the corresponding figure of 1975.

There are potential demand pressures which are likely to emerge in 1976-77 with their implications for monetary and credit policies. Of course, the objective of demand management continues to dominate both fiscal and monetary policies. This is reflected in the continuation of restrictionary credit policies, including interest rate policies, initiated in 1974-75. Similarly, in the fiscal sphere, the existing scheme of impounding of additional incomes through compulsory deposits both in relation to income-tax payers in higher brackets and to additional dearness allowance has been extended for another year. Further, it has been indicated that the amounts deposited after July 1976 would be credited along with interest of 12.5 per cent to the provident fund of subscribers rather than paid in cash after the stipulated period.

Demand Management

Notwithstanding the continuation of these demand management measures, there are three clearly identifiable sources which may generate demand pressures: investment, de-impounding of deposits and the banking system. If investment, both public and private, records a jump in 1976-77 as anticipated, the supply-demand balance in terms of real

resources would be under pressure. The second factor arises from the fact that the centre is expected to borrow from the Reserve Bank, besides the projected budget deficit of Rs 320 crores, a sum of Rs 480 crores against the impounded deposits referred to above. At the same time, cash repayments of deposits impounded in 1974-75 have commenced from July 1976 and the total amount of such repayments in 1976-77 would be about Rs 270 crores. This process of repayment would add to the expenditure stream. Thirdly, the resources position of the banking system, which is at present comfortable, may improve further with the acceleration of deposit growth.

Comfortable Position

No doubt, the present supply-demand balance in respect of basic commodities like foodgrains is comfortable in the sense of being able to tide over the contingency of a bad agricultural year. However, the vulnerability of price stability should not be overlooked, and there is need for continued vigilance. Moreover, there is also a need for establishing a system which would, on the one hand, detect and monitor signs of emergence of imbalances of supply and demand in isolated pockets / sectors / commodities and, on the other, ensure effective management for correcting such imbalances without delay. In this context, administrative skills and capability for the purpose of maintaining adequate stocks of sensitive commodities from domestic procurement and/or imports and eliminating imperfections in the distribution mechanism have to be further developed. Similarly, while there would be certainly room for flexibility, the basic monetary and fiscal discipline, which

has been in operation since the last two years, needs to be effectively maintained.

From a longer-term point of view, what is important is that the rates of saving and investment achieved in 1975-76 need to be at least maintained, if not improved upon. The recent economic policies of the government have been re-oriented in such a manner that sustaining higher rates of saving and investment becomes possible. The emergency and the 20-Point Economic Programme have created an environment in which the public sector's performance on the whole has risen to greater levels of efficiency. A wide range of incentives have also been provided to the private sector to enable it to raise investment and to improve productivity. The response of the private sector to these measures may manifest itself after a time-lag. Given the concerted efforts by both public and private sectors, it should be possible to sustain the growth rates of national income as stipulated in the fifth Plan in an environment of price stability.

Long-Term Prospects

The economy on the eve of 1976-77 has inherited a degree of capability for attaining and sustaining higher rates of growth. This capability stems from, *inter alia*, high rates of saving and investment and availability of foodgrains buffer, as well as from the cushion implicit in the level of foreign exchange reserves. The experience gained in the management of the economy since mid-1975, both in terms of administrative skills and in terms of instruments of management, should stand in good stead for moving the economy to higher levels of capital accumulation and growth.

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All is well, but...

THE X-RAY of our economy by the central board of directors of the Reserve Bank of India has revealed, what is already known and has been stated repeatedly in these columns, that the process of growth picked up its normal pace in 1975-76. Whereas national income in 1974-75 had risen by a mere 0.2 per cent, the increase in 1975-76 was somewhat higher than 5.5 per cent.

The push to the economy was given by strident expansion in the agricultural sector with growth at no less than eight per cent coupled with a little less than six per cent rise in production in industry. Undoubtedly the weather gods were kind to this country but increased use of agricultural inputs such as high-yielding varieties of seeds, fertilizers and water and liberal supply of credit to the farmers by the banks assisted in scaling new peaks in the production levels of agricultural crops. The output of foodgrains at 118-120 million tonnes resulted in the raising of buffer stocks to 17 million tonnes which also was an all-time new record. No wonder that the import of foodgrains was stopped and it was possible to maintain stability in foodgrains prices which, in turn, had a favourable influence on the general price level.

A growing economy needs appropriate changes in the monetary and credit policies and in this Reserve Bank of India exhibited remarkable resilience. While it was keen to continue its anti-inflationary policies, it did not shirk the responsibility of liberalising the credit policy for expanding supplies of both agricultural and industrial products. The commercial banks took up the challenge of providing credit for the food procurement operations and selectively assisted the industries while keeping an eye on the norms of inventories. The Reserve Bank also prescribed a ceiling on lending rates so that the cash-hungry industrial units were not forced to pay inordinately high rates of interest on loans. Consequently, the scheduled commercial banks were able to raise credit by Rs 2509 crores (28 per cent) as against Rs 1097 crores (14 per cent) in the preceding year (1974-75).

The foreign trade deficit in 1975-76 at Rs 1155 crores was slightly lower than the deficit of Rs 1189 crores in the preceding year. However, the most significant development took place in invisible earnings which multiplied three times in the year under reference in relation to the previous year, thanks to the stern governmental action against smugglers and foreign exchange offenders. In some weeks, the inflow of these earnings was as much as Rs 100 crores; at the end of March 1976, the level of our foreign exchange reserves almost reached Rs 1500 crores and exceeded the Rs 2,000-crore mark in August 1976. The government was not sure if the inflow was of a permanent or transient nature. Hence, there was some delay in working out a policy for the utilisation of these reserves for expanding the industrial base of the country and also for providing facilities to exporters.

However, an inter-ministerial group headed by Mr M.G. Kaul, secretary, department of Economic Affairs in the central ministry of Finance, has finalised its proposals for utilising the accumulated foreign exchange reserves for raising production to meet domestic needs as well as the demands of the foreign markets. It is proposed to liberalise the import of some capital goods which is expected to hasten industrial growth and also the process of modernisation in such important industries as cotton textiles and jute manufactures.

All these developments are indeed heartening and point to steady expansion in the economy which had been halted in 1973-74 and 1974-75. The Planning Commission is reported to have finalised the fifth five-year Plan document. Though it had to scale down some targets in key sectors, the financial outlay for the last two years of the plan has been substantially enhanced. The economy is poised for increased investment in view of the fact that recent enhanced production has by and large been attained by intensive utilisation of available capacity. However, it is feared that the Planning Commission even with increased financial commitments may at best be able

to approve the completion of on-going projects, mostly in irrigation and power.

The major cause for concern is the rising trend in prices since March this year. According to the Economic Adviser's index of wholesale prices, the level of prices in the first week of September this year was higher than the level in the corresponding week last year. It means that all the gains made in the price situation as a result of the anti-inflationary measures started in 1974 and subsequently reinforced by the emergency, have been completely wiped out. The prime minister, Mrs Indira Gandhi, said recently while addressing a meeting at Coimbatore: "Inflation has been curbed but is waiting for some weak spot where it can come up again". It is in fact slowly raising its head and the rate of rise in prices since March this year has been more than two per cent a month.

increased money supply

The theorists of course blame the increase in money supply as the villain which has been disturbing the price situation. According to Mr K.R. Puri, money supply currently is expanding at double the rate witnessed last year. But this does not constitute the whole story in so far as prices are concerned. There are two other reasons which are perhaps equally responsible for giving a jolt to the price line. First, there are certain commodities such as edible oils and oilseeds and cotton whose prices have risen because of the supply constraints. Unless steps are taken to increase their availability, the pressure on their prices would continue to increase. Second, the inflow of invisible earnings having expanded, the increase in money supply is essential to make cash available to the recipients of foreign exchange from abroad. The parallel economy having been reduced significantly, the increased money supply cannot but put pressure on the available supply of goods and services in the country. The accent therefore should be on increased production and not on harsh monetary and credit curbs which will tend to slow down the pace of expansion of the economy. In fact, some of the industries which had been hit hard by the recession were hoping to receive some relief in credit facilities. They had not emerged out of

the recession when the Reserve Bank governor once again clamped down severe credit curbs.

Notwithstanding the disturbing price situation, the economy is likely to attain a reasonably high rate of growth in 1976-77. Besides improved rates of saving and investment, the comfortable food

stocks position, the steady inflow of invisible earnings leading to increased level of foreign exchange reserves, the improvement in exports in the four months ending in July 1976, the expansion both in agriculture and industry promise to take the economy to higher levels of growth.

Need for liberal machinery imports

INDUSTRIAL ASSOCIATIONS have urged the government of India to liberalise the import of machinery and components in view of the comfortable foreign exchange reserves position, and the need to expedite the modernisation programmes of the existing industries and to set up new units. The industries manufacturing various types of machinery have without doubt made impressive progress in recent years and some of them have also successfully exported their products to several countries in Asia, Africa and other parts of the world. For instance, the production of complete textile machinery increased from Rs 36.04 crores in 1971 to Rs 72.50 crores in 1974 and it was valued at Rs 55.54 crores in the first nine months of 1975. The export of textile machinery and accessories rose from Rs 4.82 crores in 1973-74 to Rs 17.2 crores in 1974-75 and amounted to Rs 11.89 crores in April-September 1975. In the manufacture of other types of machinery also such as those required for jute, paper, cement, rubber, ceramic, rayon and synthetic fibre and so on, substantial progress has been made and, as a result, imports have been reduced to a large extent.

As a recent official report revealed, "The total production of machine tools is likely to exceed Rs 100 crores during this year as against a production of Rs 91 crores in 1974-75. Production of machinery for manufacture of tyres and rubber goods which stood at Rs 3.5 crores in 1974-75 is expected to be more than double during this year. Chemical machinery worth Rs 50 crores is expected to be produced during this year, register-

ing almost 20 per cent increase over the production during 1974-75. Paper machinery and sugar machinery are expected to touch Rs 20 crores and Rs 30 crores during 1975-76, registering an increase of 56 per cent and 18 per cent over the performance during 1974-75". Nevertheless, our country continues to depend on other countries for her requirements of several kinds of machinery, as well as components and accessories. The government therefore should further liberalise the import of those items of machinery which are not indigenously available. Imports should also be permitted of those items which, though produced in our country, take a long time for delivery or are too expensive.

For example, the paper industry does not seem to be satisfied with the progress made by the pulp and paper machinery industry. There are 24 units in the private sector and one in the public sector licensed to make pulp and paper machinery. Their annual approved capacity is Rs 710 millions and the installed capacity is Rs 357 millions. In addition, 11 units have been given letters of intent with capacity of Rs 525 millions per year for manufacturing complete plants and certain items of paper machinery. In the fifth five-year Plan, the targets for capacity and production for the pulp and paper mill machinery are Rs 350 millions and Rs 300 millions respectively to be achieved by 1978-79. But, consider what Mr K.P. Singhi, president of the Indian Paper Mills Association, said at its annual general meeting held recently, "It is a common knowledge that the capacity for

pulp and paper making machinery in this country is quite inadequate. The growth of the Indian paper industry is held up mainly because of the greater emphasis being laid on the development of the indigenous capacity for paper making machinery rather than the paper industry. While I would very much like the rapid growth of the indigenous pulp and paper making machinery industry, I regret that the equipments supplied by the indigenous machinery manufacturers are mostly out of step with modern technological development abroad, not to speak of the exorbitant prices charged for their items of manufacture". Mr Singhi observed that second-hand plant and machinery with capacity of 100 to 200 tonnes per day were available in western countries and that their import would bring down the cost of production. There are several instances of other industries whose cost of production can be reduced by timely import of machinery and components.

sympathetic consideration

The woollen industry is also in need of imported machinery of various kinds for carrying out its scheme of modernisation. Some types of machinery whose import has been suggested are drawing machinery, combing machinery, high speed cards, wool and yarn scouring machinery, and so on. The engineering, chemical, electrical, rubber and automobile are among the other important industries which are in need of various types of imported machinery and accessories. The port authorities also require imported automatic handling equipment for modernisation. This will help them to improve their efficiency, reduce the charges and enable ships to economise their expenses to some extent. The government should sympathetically consider their applications for import licences. In 1975 the government approved 477 cases for the import of capital goods but rejected 221 applications on the ground that they were available indigenously. But in rejecting such applications the government should also give proper consideration to price, quality, and other relevant considerations.

It is also important to issue the import licences more speedily. The time-limit for the disposal of capital goods applications is 90 days. It should be possible

to reduce this time-limit in view of the improvement in the administrative efficiency that has been brought about under the emergency. Besides, as far as possible, industries should be permitted to import machinery from whichever countries it is readily available. The practice of tying up purchases to a particular country seems to be causing inordinate delay in delivery. Another aspect that deserves consideration is the reduction in the customs duty on imported machinery and components.

The government of India has often expressed regret at the fact that many major industries such as cotton textiles, jute and sugar have sadly and systematically neglected modernisation, despite their great importance to the country's economy from the point of view of employment and export promotion. While industries are, to some extent, responsible for this situation, it cannot be denied that

official policies have also largely contributed to it. The enforcement of unrealistic controls for prolonged periods, uneconomic prices for purchases made by the government, and the high level of corporate taxation are among the factors which have made it difficult for industries to earn adequate profits and plough them back. However, official policies are becoming increasingly pragmatic. The accretion of substantial foreign exchange reserves should give opportunity to the country to undertake a vigorous programme to equip our industries with the most up-to-date machinery and other facilities for research and development. But industries can implement such schemes effectively only if there is an improvement in the availability of rupee finance. The government should therefore see to it that its fiscal and monetary policies are suitably adjusted to enable industries to make the best use of the foreign exchange reserves.

Plantations raise export earnings

THE PLANTATION industries are experiencing boom conditions in the export trade and the contribution to foreign exchange earnings will be quite impressive at about Rs 530 crores in 1976-77. The substantial increase in the unit value of exports of tea and coffee and the larger earnings through spices, cashew and pepper will be responsible for a rise in value by over Rs 100 crores as compared to 1975-76. What is really noteworthy is the achievement of a breakthrough in tea and coffee exports particularly in the former after a long period of stagnation and the achievement of self-sufficiency and even a marginal exportable surplus in rubber. The share of nearly 12 per cent for the plantation group in total exports which would have increased by nearly 2½ times in four years is indeed striking as no foreign exchange is required for sustaining these exports except in respect of cashew where raw nuts are imported for being processed and exported subsequently. Excepting for this weakness in

the plantation economy, which could be easily remedied by intensifying development of cashew plantations, the plantations industry has been progressing phenomenally for over two decades.

The president of the United Planters Association of Southern India (UPASI), Mr M. M. Muthiah, appropriately drew the attention of the government to the fact that "we have outproduced the next largest producer (Sri Lanka) in the world by 2½ times (tea) in 20 years." Coffee production also has increased by 136 per cent and rubber by 480 per cent in the same period. However only in respect of tea India can lay claim to being the largest producer in the world, while the share of coffee and rubber in world production is rather small. But what is really important is a systematic improvement in productivity in every sector of plantation agriculture in spite of regional disparities and the difficulties experienced by small growers in adopting modern

scientific techniques using the required inputs.

The president of UPASI has naturally emphasised the need for the adoption of a national policy in respect of land ceiling laws and careful examination of the incidence of central and state taxation so that the different industries can increase their output substantially and throw up the required export surpluses even in the face of increasing needs of the home market. While the progress recorded in the past two decades is truly remarkable by any criterion, there is the danger of export surpluses in tea and coffee dwindling and the marginal surplus in rubber disappearing, if there is no perspective planning for development in the next two and half decades. It is also necessary to organise the cultivation of pepper, cashew, cardamom and other spices more systematically as violent fluctuations in output and the predominance of small growers lacking proper guidance has not been conducive to the stepping up of production on a defined basis.

transfer of technology

However, as the union minister for Revenue and Banking, Mr P. K. Mukherjee, (whose speech was read out at the annual meeting of UPASI in Coonoor in his absence) has stated, it is not merely a question of increasing production but making available the fruits of organised agricultural development to the small growers and bringing about a better dispersal of additionally generated incomes. The UPSAI has been doing good work in bringing about the transfer of technology to the small growers with the creation of the necessary organisation and facilities for providing the desired assistance.

The major problem, however, relates to the replantation of overaged bushes in tea industry which are estimated to form nearly 40 per cent of the total area under the crop. It has been abundantly proved by the good work carried out in many estates in Nilgiris in Tamilnadu that the higher levels of productivity can be achieved with systematic replantation and careful tending of even overaged bushes with better manuring, elimination of pests and the like. The contribution of southern region has been steadily increasing over a

period and even with a set-back suffered in some areas in Kerala on account of various uncertainties for a time, the yield is higher by 10 per cent on an average. As north India is accounting for over 390 million kg of tea out of a total of 500 million kg, even a 10 per cent increase in productivity will yield an additional output of 40 million kg, annually. With the prospect of increase in internal consumption by at least five per cent yearly and the scope for raising the quantum of exports by 10 to 15 million kg yearly, the output of tea will have to be improved sizably if the exportable surplus is not to be allowed to decline over a period. It may even be necessary to have a target of 1000 million kg by the end of the century. This objective will call for an extension of area under crop, increase in yield per hectare and toning up of the efficiency of the small planters.

The replantation schemes are being implemented vigorously in some regions though there is no ready disposition to uproot old bushes because of the fear of loss of income for some years. This aspect will have to be carefully looked into and it could even be examined if, apart from replantation subsidy, a pool can be created by which the small growers can be benefited for the 'loss' of income that would arise out of replantation on the understanding that a portion of the additional income accruing in the later years will have to be repaid to the pool against the payments received in earlier years. It has also been urged that some allowance should be given to the tea industry in respect of depreciation in value of field assets, as in the case of rubber, in order to generate the required resources for modernisation and replantation.

happy situation

In respect of coffee the estate owners are now happy that exports are being effected on a highly remunerative basis, thanks to the damage of coffee crop in Brazil and dislocation in production in movement in Angola, Mozambique and Uganda. The value of exports has nearly trebled to Rs 90 crores in four years and the difficulty at the moment is finding the required quantum of coffee for export. The shortfall in output in the last

season due to adverse weather conditions by about 5000 tonnes is rather unfortunate. Even so, with careful management of available stocks, exports in 1976-77 may be even 57,000 tonnes and the value Rs 90 crores as stated above as compared to Rs 65 crores in 1975-76. The 1976-77 crop is estimated around 100,000 tonnes and it may not be difficult to step up exports to even 60,000 tonnes in the current financial year, if the receipts into the pool prove to be gratifying in the early months of 1977. But it is imperative that there is a doubling of coffee output to 200,000 tonnes in the next decade with special encouragement to small growers who are numerous in this industry and the desired incentives for bigger producers. The Indian Coffee Board is seized of the importance of this objective and it is being examined how the area under crop can be extended in existing and new regions and productivity raised.

temporary plenty

As for rubber there is a problem of plenty temporarily, as Mr Mukherjee has observed. The export of 5000 tonnes has been effected by the State Trading Corporation with a small loss and another 10,000 tonnes can probably be shipped without creating trouble for the industry. It will, however, be desirable to encourage exports of rubber goods and tyres instead of natural rubber as foreign exchange for over Rs 50 crores can be earned in a year by using fully the existing capacity. The tyre producers particularly can export even 15 per cent of current production because of slower growth in internal consumption and the creation of additional capacity. It has been stated, however, that the incentive scheme is not properly conceived and there will have to be some adjustments for enabling the tyre producers to take advantage of the opportunity for effecting sizable exports to middle east and south east Asian regions. It will thus be more convenient if buffer stocks in rubber are maintained in cooperation with the industry. While there should be no let-up in growth of output of natural rubber, it will pay good dividends if casual cultivation is extended over large areas and the dependence on imports of raw nuts from east Africa is reduced if not eliminated.

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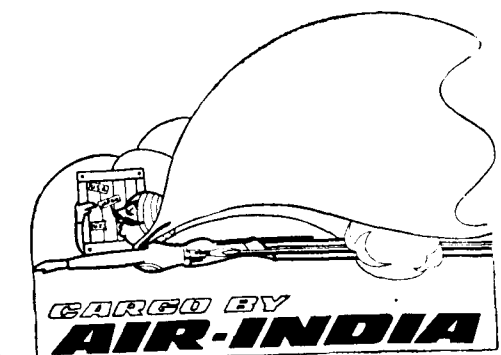
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CAPITAL'S CORRIDORS

R. C. Ummat

Fifth Plan revised outlays and targets • Oil exploration • Mineral reserves in Himalayas • External trade trends

EVEN THOUGH the public sector outlay during the current fifth Plan period is understood to have been revised upwards, the Planning Commission feels that the average annual growth rate of the economy during the five years to 1978-79 may not exceed five per cent, as against 5.5 per cent envisaged at the time of drawing up of the first draft of the Plan. This is because the inflationary tendencies during the first two years of the Plan period had pushed up the costs steeply and this had resulted in the physical performance leaving much to be desired. The National Development Council is meeting here on September 24 and 25 to finalise the current Plan though we are already half-way through it.

The public sector outlay reported to have been decided upon now is nearly Rs 39,100 crores—approximately Rs 1,800 crores more than envisaged in the draft. The share of the centre in this is understood to be around Rs 20,050 crores and that of the states and the union territories Rs 19,050 crores. The outlay budgetted during the first three years aggregates to approximately Rs 19,400 crores. The remainder Rs 19,700 crores outlay, thus, will have to be provided for during the terminal two years of the Plan.

main beneficiaries

As indicated by the union minister for Finance, Mr C. Subramaniam, in his this year's budget speech, the main increases in the outlay, compared to the provisions in the draft Plan, have been proposed in the irrigation, power and industry sectors. The overall outlays for agricultural development as well as

for social services have been somewhat scaled down.

Some of the revised sectoral allocations, along with the original provisions, are understood to be as given in the table below.

In the industrial sector, the physical targets are said to have been pushed up significantly only in the case of crude oil (from 12 million tonnes originally to 14.2 million tonnes) and nitrogenous fertilizers (from 2.9 million tonnes to four million tonnes). There has been some scaling up of the physical targets for the manufacture of motor cycles and scooters also.

targets lowered

The targets for the other major industries are understood to have been scaled down as follows (the original targets are given in brackets): Coal 124 million tonnes (135); iron ore 56 million tonnes (58); finished steel 8.8 million tonnes (9.4); aluminium 3.1 lakh tonnes (3.7); copper 37,000 tonnes (45,000); zinc 80,000 tonnes (100,000); sugar 5.4 million tonnes (5.7); cotton cloth 9,500 million metres (10,000); petroleum products 27 million tonnes

(34.6); cement 20.8 million tonnes (25); agricultural tractors 55,000 numbers (80,000); commercial vehicles 60,000 numbers (110,000 numbers); passenger cars 32,000 numbers (60,000 numbers); paper and paper board 1.05 million tonnes (1.2); newsprint 80,000 tonnes (151,000).

The revised target for foodgrains production is envisaged to be around 125 million tonnes, although earlier it was put at 140 million tonnes. The target for vanaspati manufacture is said to have been lowered from the originally talked level of 740,000 tonnes to 610,000 tonnes.

Though the allocation for the power sector is being raised, the physical target for power generation is being pitched lower around 117 billion kwhs, as against 120 billion kwhs. The railways, it is felt, may be required to cater for a goods traffic of only 260 million tonnes in the terminal year of the Plan, as against 300 million tonnes envisaged earlier.

Exports during the five years to 1978-79 are expected to register an annual growth of nine per cent, as against the earlier estimate of seven per cent.

Encouraged by the experience of China of striking oil in fairly large quantities in the fresh water sediments north of the Himalayas, the Oil and Natural Gas Commission has planned to launch deep drilling at two locations in similar rock formations on the southern side of this mountain range. The locations selected are Puranpur in the Pilibhit region of the Gangetic basin and Nurpur in the Kangra district of Himachal Pradesh. The Puranpur structure is envisaged to be drilled to a depth of 5,000 metres and the Nurpur well to a depth of 6,000 metres.

	(Rs crores)	
	Revised	Original
(a) Agriculture and Allied Programmes of which	4644	4730
Irrigation and Flood Control	3434	2805
(b) Power	7012	6190
(c) Industry and Mining	10292	8939
(d) Transport and Communications	6889	7115
(e) Social Services of which	5586	5790
Education	1687	1726
(f) Hill and Tribal Areas Development	450	500

Drilling is expected to be taken up in the near future, possibly by the end of the current financial year.

The ONGC has also decided to resume drilling in the Jwalamukhi region in Himachal Pradesh where it was abandoned in the late fifties after drilling three wells. At that time, only traces of gas were found in one of the wells in two horizons between 879 and 890 metres and 919 and 923 metres, but they were not considered to be commercially exploitable. The other two wells had not yielded even traces of hydrocarbons. Drilling in this area is now proposed to be undertaken to a depth of 3,500 metres, as a fresh thorough study of the available data has thrown up indications of both oil and gas being encountered in commercially exploitable quantities up to this level. The first well which was drilled in this region in 1956 was targetted to a depth of 3,200 metres, but it had to be abandoned at a depth of slightly over 3,000 metres following encountering of technical difficulties.

Another area has also been selected for exploration in Himachal Pradesh. It is in the Solan district. The first well to be drilled in this area will be in the Ramshahr structure. Here drilling is expected to be taken up to a depth of 4,500 metres.

Incidentally, the heavy rigs manufactured indigenously by Bharat Heavy Electricals Limited are proposed to be used for drilling in the above renewed search for oil on the southern foothills of the Himalayas.

The Geological Survey of India (GSI) has discovered a major multi-metal deposit of vital base metals at Goravathan, near Darjeeling, in the eastern Himalayan region. This was disclosed last week by Dr V.K.S. Bardhan of the GSI at the international seminar on Himalayan geology.

The deposits which are reported to be extending over several kilometres in the region are estimated to be capable of yielding a metal content of five to 10 per cent. The base metal reserves include copper, lead, zinc, tin, etc. They are considered to be fairly good in character and capable of commercial exploitation.

The GSI has also discovered a major

deposit of tin ore in the north-eastern parts of the Himalayas. It is hoped that its commercial exploitation would commence after the entire data are thoroughly analysed. It is strongly felt that this deposit is part of the tin ore deposits in Burma which are stated to be quite extensive.

The GSI has as well established some phosphorite deposits, the largest among them being in Uttar Pradesh (Mussoorie), Madhya Pradesh (Jhabua) and Rajasthan.

For the sixth month in succession, we had a surplus trade balance during July last. The provisional data for that month indicates that exports aggregated to Rs 370 crores—24.5 per cent more than the Rs 293 crores exports in this month last year. Imports amounted to Rs 337 crores—21.5 per cent lower than Rs 422 crores worth effected in July, 1975.

The first four months of the current financial year have yielded a surplus trade balance of Rs 82 crores. Exports during this period have been of the order of Rs 1,466 crores and imports to the tune of Rs 1,384 crores. The trade deficit in these four months last year was as high as Rs 410 crores.

The surplus trade balance to July-end this year has resulted from nearly 32 per cent increase in exports and about 12 per cent drop in imports. The increase in exports has been registered despite a substantial fall in the exports of sugar. Exports of engineering goods, leather and marine products, oils, tea, coffee, etc, have shown a significant uptrend, particularly of the first three items. They have not only wiped off the decline in realisations from sugar exports but have also brought in some additional foreign exchange. The primary reason for the decline in imports is the stoppage of imports of food and fertilisers. The imports of ferrous and non-ferrous metals too have registered a sharp decline.

Although imports are now being liberalised in view of the comfortable foreign exchange situation, the encouraging trend in exports, it is felt, may enable us to break-even on the external trade front. If the supply position of agricultural raw materials after the current kharif crop is comfortable, we might still have some surplus trade balance at the end of the

year. Liberalisation has been effected recently not only in the imports of cotton, synthetic fibres and edible oils but also in those of various other raw materials, including non-ferrous metals.

The deficit on our external trade account this year is thus likely to be wiped out and the increased remittances from Indians abroad—approximating currently nearly Rs 100 crores per week—along with the strengthening of the rupee in terms of pound-sterling, having raised the foreign exchange reserves of the country to nearly Rs 2,100 crores (excluding gold and SDRs), we may not be able to avail of the loans from the International Monetary Fund through the soft-lending window. This window is being established through the sale of part of the gold subscriptions of the members-nations to the IMF in terms of the decision taken recently. Loans from this window are envisaged to be made available only to the developing countries which have serious balance of payments difficulties.

This lending operation has been thought of by the IMF as a replacement of the oil facility which was stopped last year. The oil facility was made available to the countries particularly hit by the escalation in their oil import bills following the sharp increase effected in the price of crude oil by the oil exporting nations three years ago.

deferred payment facility

The improved foreign exchange reserves of the country, it is further learnt, may not be utilised for the time being for bringing down external debt, as the government will like to watch the improvement in the balance of payments position for some more time. Part of the improved reserves, of course, as indicated above, are proposed to be utilised for liberalising imports of essential raw materials. To some extent, they can also be used for stepping up exports through providing increased deferred payment facilities to the developing nations of Asia and Africa. We, of course, obviously cannot match the deferred payment facilities being made available by the developed nations. So, this facility from us is likely to be available to the developing countries only on a limited scale.

Increase production and banish poverty

B. M. Birla

This year the Federation of Indian Chambers of Commerce & Industry (FICCI) is celebrating its Golden Jubilee. Mr B. M. Birla, who is the chairman of FICCI Golden Jubilee Celebrations, launched the year-long celebrations at Bombay on September 9, 1976. In his key-note address, given here in full, he urged each member of the business community to make a conscious effort in raising output and making increased volume of goods and services available to the people. He set the target of per capita income in this country at \$2500 (about Rs 25,000) at the turn of the current century as against \$100 only at present. "This country must become one of the strongest countries in the world and, God willing, it will become", said Mr Birla.

THE WIDE coverage of the Federation of Indian Chambers of Commerce & Industry (FICCI) has not been publicised well enough so far. This Federation of ours represents virtually hundreds of thousands of business enterprises, big, medium and small not only in urban, but also in the rural areas. Take even the Indian Merchants' Chamber, Bombay. It has some 2000 direct members. About 150 associations are affiliated to this Chamber. The membership of these associations runs to 10,000. Let me go a step further. The Federation itself has in its membership nearly 440 Member-Bodies, i. e. chambers of commerce and industrial and trade associations.

Like the Indian Merchants' Chamber in Bombay, there are other chambers in different centres like Madras, Calcutta and Delhi, which have large direct membership of their own, as well as a number of associations affiliated to them. A crowded shopping centre in any city or town has a number of retail shops and almost all of them have their own associations.

representative organisation

It is wrong to think that the Federation takes care of the interests of big business alone. Since its inception, the Federation has talked on behalf of industry, trade and commerce which means in effect the twelve million of those who are engaged or self-employed in some business or the other. This is not all. Even a rough estimate will show that all these enterprises put together will be employing nearly 10 million workers. Besides, if you include the families of those self-employed, the number

will be nearly 60 million, about 10 per cent of our country's population.

Essential commodities like foodgrains, spices, cereals and a host of other articles are consumed every day by every family. Having regard to the size of our country and the huge population, it is almost a miracle as to how businessmen take their wares to the most inaccessible parts in India and supply them even to the remotest villages. This distribution network is an extraordinary phenomenon and what is equally surprising, the distribution cost in our country is the lowest in the

world. All this is not commonly appreciated.

All shops are full of goods, almost all made in India by our businessmen. It is a great credit that during the last 30 years the country has become self-supporting in almost everything, where businessmen were allowed to produce.

It is up to business organisations to bring out all these facts and place them before the public from time to time. In fact, the Golden Jubilee Year provides a unique opportunity for every business enterprise not only to publicise the details, but also tell the public the kind of services it is rendering. They should bring people

to their establishments and show how goods are produced or manufactured and marketed in the retail shops. Not only this, but all social services rendered by businessmen should also be shown to the public.

Business can thrive only on service and can exist only when it continually expands. In other words, everyone must make a conscious effort to increase production and make available more goods and services to the people. It is a wrong impression that profits can be made only when there is scarcity and when there is plenty business fortunes suffer. This is far from true. May be, individual enterprises might make profits, but they will wither away very soon when there is no increase in the number of consumers or their consumption capacity.

controls and regulations

It is here that I would like to touch upon controls and regulations. While possibly, in every resolution passed by every chamber of commerce, the opinion is voiced that controls and regulations are bad, once government thinks of removing them, then businessmen themselves are known to plead that government should continue these regulations. It is time that everyone got out of this approach. Even after 30 years of Independence, if there is scarcity of certain goods, it is a shameful matter for the business community. After all, controls do not create goods. It is production only which will remove scarcity. We must work hard, therefore, to produce more and get rid of this mentality of scarcity. The controllers also must help in more production than merely satisfying themselves by controlling distribution of non-existent goods and discouraging productive effort.

Our single and dedicated aim must be to make our nation strong. All the countries around us are going ahead with big expansion schemes and with strengthening their defences. We too must become strong in every area of national life. This is what our prime minister, Mrs Indira

Gandhi, has been constantly emphasising. The strength of a nation comes from its economic activities, from the assets it holds and the size of output. In my view, there is not a single thing that we cannot produce. Our natural resources are immense. We have well trained technical and managerial people. Our population is 600 million and it is growing. The market for our products is huge. If some commodities do not move fast in the market, it is because the purchasing power is not there in the hands of a considerable section of our population.

I have heard it said often that this purchasing power can be generated only if there are savings first. In all humility, I would say that this concept of saving imagines some kind of fixed fund, to which accretions can be made slowly and laboriously. It does not tally with the reality. We can generate savings almost automatically, once we come to look upon savings as a flow rather than as a fund. For instance, in our own country, this flow can be enhanced if all the unutilised capacity is utilised and more capacity is created. This will generate wealth

which will help in creating savings and investment. We have all these years emphasised the necessity of mobilising resources, but have not emphasised the need to generate resources. Unless we produce more, there will be no generation of resources, without which we will not progress. Thus, savings are a concomitant of greater production and we should not view it as a subsequent factor separated by time.

I recall vividly the way in which the sugar industry, to give an example, grew up in India. In a matter of two years, hundreds of factories were set up. This was way back in 1932. Why can't we do this again? We have greater expertise, greater knowledge and greater experience. Also, we have a government which is anxious to do everything that is necessary to make our nation economically strong. Today, while we produce something of everything, we do not produce enough or in large quantity, which is the main cause of our poverty. It means we do not generate sufficient wealth; so, the purchasing power of our people is low and we remain poor. It is only production which will generate

wealth and remove poverty. We have to catch up with the world and also the countries surrounding us. Today world per capita income is \$1300. It will be \$2500 by the end of the century. If we have to catch up with the world progress, we will have to raise our sights high. Our per capita income is about \$100, and if we have to be on par with the world at the end of the century, it will have to go up to \$2600 or Rs 25,000. Some of the developed countries' per capita income is around \$6000 or more today. Their income possibly will be between \$15,000 to \$20,000 per capita at the end of the century. Let us aim modestly to achieve at least \$2500 by the end of the century and at least come on par with the whole world. This country must become one of the strongest countries in the world and, God willing, it will become.

People sometimes mention about shortage of capital in our country. Today there is such a large pool of liquid resources available in the world, which never happened at any time. Therefore, if we want to make progress, there will be no lack of resources. These resources will

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stimulate the use of our own domestic resources. It means that our production base will expand and there will be greater employment and wealth. In this process, there will be larger exports from our country. This, in turn, will help us to import more capital goods. Imports and exports chase each other and the ultimate

end naturally is to provide a better life to our people.

Finally, I want to end with the thought that everyone of us must have confidence in ourselves. We should not be overwhelmed by temporary difficulties. If one comes to think of it, there is hardly a time when there are no difficulties. Diffi-

culties are a part of a businessman's life. It is because we want to be enterprising and not static. I wish therefore to ask you all, who have assembled here and the millions who are in business in India, to make our country stronger day by day and help in getting rid of generations of poverty,

Cost of power and fuel in aluminium industry

Dr N. P. Agrawal

The author who is a lecturer in Accountancy and Business Statistics in the University of Rajasthan, Jaipur, has studied the element of electricity cost in the aluminium units in India from 1963 to 1973. Besides recommending continuous supply of power to these units, he has also suggested the introduction of process control which in the case of HINDALCO has proved highly efficient.

IN AN aluminium plant, power is an essential requirement and not only an adequate supply but a continuous availability without any fluctuation in voltage is needed. In contrast to other industries, where interruption in power affects the working only for the duration of the disturbed period, in an aluminium plant continuous and uninterrupted supply is of primary importance for efficient working and especially for the production of electrical grade metal.

In aluminium industry in India, during the period from 1963 to 1973 the proportion of power and fuel to total cost was 15.0 per cent. It varied from 12.6 per cent in 1963 to 16.0 per cent in 1970 and 1971. However, due to increase in the other elements of cost also the proportion of power is not showing so much increase, but the power rates have increased substantially during the period, varying from state to state. The years 1970 to 1973 were years of power shortage throughout the country. The proportion of power and fuel registered a rising trend throughout the period from 1963 to 1973 except in 1972 and 1973. Due to shortage of power during 1972 and 1973 the bills of power were not so heavy but the expenditure on other items, of which some are of fixed nature, did not decrease resulting in lower proportion of this expenditure. (Table I.)

In Alcoinc the proportion of power and

fuel varied from 8.1 per cent in 1967 to 14.8 per cent in 1973 constituting a range of 6.7 with an average of 11.1 per cent for the period from 1963 to 1973. The proportion registered a fluctuating trend, but during later years from 1969 to 1973 it registered a rising trend and the proportion rose from 9.4 per cent in 1969 to 11.5 per cent in 1971 and 14.8 per cent in 1973. During the period the company faced frequent power cuts. "The company's purchased power requirement was at 20 MW. Due to shortage of power, the company volunteered to reduce it to 17 MW subject to continuous supply of the same. However, even this reduced requirement was not met by Damodar Valley Corporation Ltd from whom the company gets power."¹

frequent shortage

The frequent shortage of power with interruption in power supply caused damage to the smelter, reduced the life of electrolytic cells also and increased the consumption of costly chemicals such as cryolite and aluminium fluoride. Further, the rate of electric power of 6.2 paise/kw inclusive of fuel surcharge and electricity duty was too high. The company is also having its own generating unit capable of producing 11 to 12 MW power. Being an old plant, the company's cost of production of power is reported to be much higher. This position has been

further aggravated by the nationalisation of captive coal mines, which has resulted in an increase in the price of coal.

In Indal, the proportion of power and fuel to total cost varied from 9.5 per cent in 1972 to 15.1 per cent in 1964 constituting a range of 5.6 with an average of 11.5 per cent for the period from 1963 to 1973. The proportion of the expenditure registered a fluctuating trend, but the proportion increased considerably during 1973 due to the fact that production during 1973 decreased from 79,000 tonnes in 1972 to 76,000 tonnes due to shortage of power. In 1965 the company was required to pay additional surcharge on the agreed rates for power that increased the proportion substantially.

effect of drought

Due to generating problems and the drought during 1971 and 1972, power cuts of 25 and 50 per cent were imposed on the company's units at Belgaum in Mysore state (now Karnataka) and Hirakud in Orissa respectively. During 1973 the company's directors pointed out: "As already mentioned, the company's smelter at Hirakud lost 5800 tonnes of output in 1973 due to power supply difficulties while the smelter at Belgaum was subject to an average power cut of 20 per cent."²

In Hindalco, the proportion of power and fuel cost to total cost registered an increasing trend during the period from 1963 to 1973 except in 1972 and 1973. The proportion of power and fuel varied from 11.6 per cent in 1963 to 22.0 per cent in 1971 constituting a range of 10.4, the highest among the aluminium com-

panies. The average proportion was 19.1 per cent which is the highest as compared to industry as well as all the other aluminium companies. The company has an agreement with Uttar Pradesh State Electricity Board (UPSEB) for the supply of 50 MW. However, since November, 1966 the company has been facing power cuts on account of insufficient rains mainly. "During 1971-72 and 1972-73 the power cut was in the range of 25 to 50 per cent. Under the emergency assistance and parallel operation agreement, the company was allowed to use another 100 million units at the rate of about 14.2 paise per unit exclusive of electricity duty. During October 1972 to May 1973 this rate was raised to about 28.02 paise."³

The company's dispute with UPSEB forced it to go to the Supreme Court for the restoration of power, which was disconnected completely in May 1973. "The year 1973 started with a power cut of 25 per cent which was increased to 40 per cent in February and 50 per cent in March. This year the supply has been completely cut off from January 24, 1974."⁴

varying proportion

In Malco, the proportion of power and fuel to total cost varied from 14.1 per cent in 1965 to 17.4 per cent in 1966 constituting a range of 3.3 which is lowest among the aluminium companies. The company paid on an average 15.8 per cent of total cost for power which is higher as compared to Alcoinc and Indal. The company also experienced power supply restrictions during the last two years. As a result, their first stage of expansion, which was ready by September 1972, could not be commissioned and due to severe power restrictions the plant was totally shut down for some time in 1973. "In view of the almost total closure of the plant for a period of nearly five months during 1973, due to power cuts the production reduced considerably. The process of re-starting the plant commenced from July 1973. During the year, part of the expansion programme was also energised. At the end of the year, the production capacity stood at 18,000 tonnes. This could have been more, but for non-availability of power. It is most unfortunate that the plant is again sub-

ject to 30 per cent power cut from April 1974"⁵

It will be seen from Table II that the 'F' ratio is 16.7. The table value of 'F' at one per cent and five per cent levels of significance for $v_1=2$ and $v_2=28$ are 5.45 and 3.34 respectively. This shows that the differences in the percentage expenditure on power and fuel in the three companies are significant.

Power is one of the items of the heaviest cost in the production of aluminium. The actual consumption of power per tonne of aluminium by the producers during 1964 to 1967 is given in Table III.

It is evident from the Table III that

Hindalco's consumption of power per tonne of metal produced is the least, but due to high rates charged for power from Hindalco, the company is paying a higher amount for power and fuel.

At the end of March 1969, the country had power generation capacity of 14.3 million kw. During the fourth Plan period, the government had hoped to add 9.3 million kw of installed capacity. But what was achieved was only 4.6 kw, bringing the installed capacity in the country to 18.9 million kw. On March 31, 1974 the installed capacity of 18.9 million kw was made up of hydro 6.96 m kw (about 37 per cent), thermal 9,808 m kw (about 52 per cent),

TABLE I
Percentage of Power and Fuel to Total Cost of Aluminium Companies in India from 1963 to 1973

Years	Alcoinc	Indal	Hindalco	Malco	Aluminium Industry
1963	12.9	13.1	11.6 L	—	12.6 L
1964	11.9	15.1 H	13.4	—	14.1
1965	11.6	14.2	14.1	14.1 L	13.8
1966	10.2	12.6	17.7	17.4 H	14.9
1967	8.1 L	11.0	18.5	16.2	14.3
1968	9.6	11.8	18.5	17.2	15.3
1969	9.4	10.8	19.8	16.9	15.6
1970	10.4	12.1	29.5	14.7	16.0 H
1971	11.5	10.4	22.0 H	16.7	16.0 H
1972	12.1	9.5 L	19.3	14.2	14.2
1973	14.8 H	12.0	18.3	14.4	14.9
1963-73	11.1	11.5	19.1	15.8	15.0
Range	14.8—8.1 =6.7	15.1—9.5 =5.6	22.0—11.6 =10.4	17.4—14.1 =3.3	16.0—12.6 =3.4

H = Highest L = Lowest

TABLE II
Analysis of Variance of Proportion of Power and Fuel in Aluminium Companies in India

Source of variation	Sum of squares	Degrees of freedom	Mean square
Between companies	181.6	2	90.8
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Total	331.8	30	

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EASTERN ECONOMIST

SEPTEMBER 24, 1976

stimulate the use of our own domestic resources. It means that our production base will expand and there will be greater employment and wealth. In this process, there will be larger exports from our country. This, in turn, will help us to import more capital goods. Imports and exports chase each other and the ultimate

end naturally is to provide a better life to our people. Finally, I want to end with the thought that everyone of us must have confidence in ourselves. We should not be overwhelmed by temporary difficulties. If one comes to think of it, there is hardly a time when there are no difficulties. Diffi-

culties are a part of a businessman's life. It is because we want to be enterprising and not static. I wish therefore to ask you all, who have assembled here and the millions who are in business in India, to make our country stronger day by day and help in getting rid of generations of poverty,

Cost of power and fuel in aluminium industry

Dr N. P. Agrawal

The author who is a lecturer in Accountancy and Business Statistics in the University of Rajasthan, Jaipur, has studied the element of electricity cost in the aluminium units in India from 1963 to 1973. Besides recommending continuous supply of power to these units, he has also suggested the introduction of process control which in the case of HINDALCO has proved highly efficient.

IN AN aluminium plant, power is an essential requirement and not only an adequate supply but a continuous availability without any fluctuation in voltage is needed. In contrast to other industries, where interruption in power affects the working only for the duration of the disturbed period, in an aluminium plant continuous and uninterrupted supply is of primary importance for efficient working and especially for the production of electrical grade metal.

In aluminium industry in India, during the period from 1963 to 1973 the proportion of power and fuel to total cost was 15.0 per cent. It varied from 12.6 per cent in 1963 to 16.0 per cent in 1970 and 1971. However, due to increase in the other elements of cost also the proportion of power is not showing so much increase, but the power rates have increased substantially during the period, varying from state to state. The years 1970 to 1973 were years of power shortage throughout the country. The proportion of power and fuel registered a rising trend throughout the period from 1963 to 1973 except in 1972 and 1973. Due to shortage of power during 1972 and 1973 the bills of power were not so heavy but the expenditure on other items, of which some are of fixed nature, did not decrease resulting in lower proportion of this expenditure. (Table I.)

In Alcoin the proportion of power and

fuel varied from 8.1 per cent in 1967 to 14.8 per cent in 1973 constituting a range of 6.7 with an average of 11.1 per cent for the period from 1963 to 1973. The proportion registered a fluctuating trend, but during later years from 1969 to 1973 it registered a rising trend and the proportion rose from 9.4 per cent in 1969 to 11.5 per cent in 1971 and 14.8 per cent in 1973. During the period the company faced frequent power cuts. "The company's purchased power requirement was at 20 MW. Due to shortage of power, the company volunteered to reduce it to 17 MW subject to continuous supply of the same. However, even this reduced requirement was not met by Damodar Valley Corporation Ltd from whom the company gets power."

frequent shortage

The frequent shortage of power with interruption in power supply caused damage to the smelter, reduced the life of electrolytic cells also and increased the consumption of costly chemicals such as cryolite and aluminium fluoride. Further, the rate of electric power of 6.2 paise/kw inclusive of fuel surcharge and electricity duty was too high. The company is also having its own generating unit capable of producing 11 to 12 MW power. Being an old plant, the company's cost of production of power is reported to be much higher. This position has been

further aggravated by the nationalisation of captive coal mines, which has resulted in an increase in the price of coal.

In Indal, the proportion of power and fuel to total cost varied from 9.5 per cent in 1972 to 15.1 per cent in 1964 constituting a range of 5.6 with an average of 11.5 per cent for the period from 1963 to 1973. The proportion of the expenditure registered a fluctuating trend, but the proportion increased considerably during 1973 due to the fact that production during 1973 decreased from 79,000 tonnes in 1972 to 76,000 tonnes due to shortage of power. In 1965 the company was required to pay additional surcharge on the agreed rates for power that increased the proportion substantially.

effect of drought

Due to generating problems and the drought during 1971 and 1972, power cuts of 25 and 50 per cent were imposed on the company's units at Belgaum in Mysore state (now Karnataka) and Hirakud in Orissa respectively. During 1973 the company's directors pointed out: "As already mentioned, the company's smelter at Hirakud lost 5800 tonnes of output in 1973 due to power supply difficulties while the smelter at Belgaum was subject to an average power cut of 20 per cent."

In Hindalco, the proportion of power and fuel cost to total cost registered an increasing trend during the period from 1963 to 1973 except in 1972 and 1973. The proportion of power and fuel varied from 11.6 per cent in 1963 to 22.0 per cent in 1971 constituting a range of 10.4, the highest among the aluminium com-

panies. The average proportion was 19.1 per cent which is the highest as compared to industry as well as all the other aluminium companies. The company has an agreement with Uttar Pradesh State Electricity Board (UPSEB) for the supply of 50 MW. However, since November, 1966 the company has been facing power cuts on account of insufficient rains mainly. "During 1971-72 and 1972-73 the power cut was in the range of 25 to 50 per cent. Under the emergency assistance and parallel operation agreement, the company was allowed to use another 100 million units at the rate of about 14.2 paise per unit exclusive of electricity duty. During October 1972 to May 1973 this rate was raised to about 28.02 paise." The company's dispute with UPSEB forced it to go to the Supreme Court for the restoration of power, which was disconnected completely in May 1973. "The year 1973 started with a power cut of 25 per cent which was increased to 40 per cent in February and 50 per cent in March. This year the supply has been completely cut off from January 24, 1974."

varying proportion

In Malco, the proportion of power and fuel to total cost varied from 14.1 per cent in 1965 to 17.4 per cent in 1966 constituting a range of 3.3 which is lowest among the aluminium companies. The company paid on an average 15.8 per cent of total cost for power which is higher as compared to Alcoin and Indal. The company also experienced power supply restrictions during the last two years. As a result, their first stage of expansion, which was ready by September 1972, could not be commissioned and due to severe power restrictions the plant was totally shut down for some time in 1973. "In view of the almost total closure of the plant for a period of nearly five months during 1973, due to power cuts the production reduced considerably. The process of re-starting the plant commenced from July 1973. During the year, part of the expansion programme was also energised. At the end of the year, the production capacity stood at 18,000 tonnes. This could have been more, but for non-availability of power. It is most unfortunate that the plant is again sub-

ject to 30 per cent power cut from April 1974"

It will be seen from Table II that the 'F' ratio is 16.7. The table value of 'F' at one per cent and five per cent levels of significance for $v_1=2$ and $v_2=28$ are 5.45 and 3.34 respectively. This shows that the differences in the percentage expenditure on power and fuel in the three companies are significant.

Power is one of the items of the heaviest cost in the production of aluminium. The actual consumption of power per tonne of aluminium by the producers during 1964 to 1967 is given in Table III.

It is evident from the Table III that

Hindalco's consumption of power per tonne of metal produced is the least, but due to high rates charged for power from Hindalco, the company is paying a higher amount for power and fuel.

At the end of March 1969, the country had power generation capacity of 14.3 million kw. During the fourth Plan period, the government had hoped to add 9.3 million kw of installed capacity. But what was achieved was only 4.6 kw, bringing the installed capacity in the country to 18.9 million kw. On March 31, 1974 the installed capacity of 18.9 million kw was made up of hydro 6.96 m kw (about 37 per cent), thermal 9,808 m kw (about 52 per cent),

TABLE I
Percentage of Power and Fuel to Total Cost of Aluminium Companies in India from 1963 to 1973

Years	Alcoin	Indal	Hindalco	Malco	Aluminium Industry
1963	12.9	13.1	11.6 L	—	12.6 L
1964	11.9	15.1 H	13.4	—	14.1
1965	11.6	14.2	14.1	14.1 L	13.8
1966	10.2	12.6	17.7	17.4 H	14.9
1967	8.1 L	11.0	18.5	16.2	14.3
1968	9.6	11.8	18.5	17.2	15.3
1969	9.4	10.8	19.8	16.9	15.6
1970	10.4	12.1	20.5	14.7	16.0 H
1971	11.5	10.4	22.0 H	16.7	16.0 H
1972	12.1	9.5 L	19.3	14.2	14.2
1973	14.8 H	12.0	18.3	14.4	14.9
1963-73	11.1	11.5	19.1	15.8	15.0
Range	14.8—8.1 =6.7	15.1—9.5 =5.6	22.0—11.6 =10.4	17.4—14.1 =3.3	16.0—12.6 =3.4

H=Highest L=Lowest

TABLE II
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nuclear 0,580 m kw (about 3 per cent) and 1,522 m kw other non-utilities (about 8 per cent).

The fourth Plan targets and achievements by types of generation are as given in Table IV.

The persistent shortfalls in the creation of power capacity during the Plan periods have been one of the reasons for the energy crisis facing the country. In 1972-73 the demand for power was one million kw more than the installed capacity of 19 million kw. Actual power availability, however, was much less because plants worked below capacity on the one hand and lost as much as 20 per cent in transmission on the other.

The other cause for apprehension is the rising prices of imported crude, and continued dependence on it for two-thirds of our requirements.

reasons for shortfall

The reasons given by the Planning Commission for the shortfall in targets are lack of adequate project management and monitoring; shortages of key materials such as steel, cement, electrodes and explosives; delays in civil works and ordering for plant and equipment; and, delay in the supply of major equipment.

Table V gives in detail the allocations, expenditures and shortfalls in power generation.

It is clear from Table V that in spite of more expenditure than allocated for the purpose the target achievement was merely 50 per cent during 1969-74 as against 75.9 per cent during 1966-69.

The total power supply to the aluminium industry, which is supposed to be a power intensive industry, was limited to only about 425 MW which was only 2.5 per cent of the installed capacity of power generation. The US aluminium companies however, are consuming 2.8 per cent of total US electric utility purchases. "Electrolysis is by far the major energy cost in aluminium production, which consumes 2.8 per cent of total US electric utility purchases."⁶ Therefore, it should not be difficult to meet the total requirement of power of the aluminium industry which is a basic and strategic industry for

the economic development of the country, provided there is a will to do so.

At present the power generation is very low because the thermal power units are

not working properly. The heavy losses in power transmission lines can be reduced by efficient supervision, correct and adequate design of power lines and vigi-

TABLE III
Power Consumed for Production of Aluminium During 1964 to 1967

	Quantity (1000 kwh) consumed per tonne of metal			
	1964	1965	1966	1967
(1) Indal—Alupuram	20.36	20.33	20.15	18.96
Hirakud	19.06	19.12	22.20	20.13
(2) Malco	—	20.57	20.57	20.57
(3) Hindalco	18.60	18.86	19.06	18.80

Source: Tariff Commission's Report, (Government of India, Ministry of Commerce) 1968, p 52.

TABLE IV
Targets and Achievements in Generation of Power
(Capacity in Megawatts)

	Hydro	Thermal	Nuclear	Total
Target	3518	4766	960	9264
Achievements	1057	2942	580	4579
Slippage into fifth Plan	2461	1824	400	4685

Source: Times of India Directory, 1974-75, Times of India Press, Bombay, p 43.

TABLE V
Allocations, Expenditures and Shortfalls in Power Generation

Plan	Financial outlays		Installed generating capacity (M Kw)				
	Plan allocation	Actual expenditure	Cumulative		Additions		Percentage short-fall
			Target	Achievement	Target	Achievement	
Pre-first Plan	NA	NA	—	2.30	—	—	—
First Plan (1951-56)	NA	1050	3.60	3.40	1.30	1.10	15.4
Second Plan (1956-61)	2350	2500	6.90	5.65	3.50	2.25	35.7
Third Plan (1961-66)	7120	7739	12.69	10.17	7.04	4.52	35.8
Three annual Plans (1966-69)	6430	6762	15.60	14.29	5.43	4.12	24.1
Fourth Plan (1969-74)	12540	15550	23.00	18.87	9.26	4.58	50.0

Source: The Times of India Directory and Year Book, 1974-75, The Times of India Press, Bombay, p 147.

lance on the part of supervisory staff to check leakage and theft on transmission lines.

One MW capacity is equivalent to 8700 units in a year. The actual production of power in efficiently run places against one MW of installed capacity is about 6000 units. In India, however, the actual production is less than 4000 units although some individual plants produced 7000 units or more per year. Thus there is a great scope for improvement in this direction.

One fails to understand the fear of monopolistic tendency by restricting and not allowing captive power plants to the aluminium industry. The efficient supervision and continuous vigilance in captive power unit can have a power-generating efficiency around 85 per cent.

The centre has fixed a four-tier enhanced power rate structure. The power tariff for the aluminium industry varies from state to state and the maximum increase allowed varies from two paise to 11 paise per unit. The four-tier power tariff provides for progressively increasing rates for each quarter of power consumed. The effective rates per unit for full power supplied to the aluminium units are in Karnataka seven paise per unit, Kerala seven paise, Orissa eight paise, Tamil Nadu nine paise, Uttar Pradesh and Madhya Pradesh 11 paise each.

the understanding

The centre and states have come to an understanding that the new power rates fixed be regarded as ceiling and inclusive of all state taxes, duties and current fuel costs (surcharges). All future increases in the new rates should be only in proportion to any increase in the published general purpose tariff rates in the concerned areas for bulk consumers.

However, it has been agreed that appropriate adjustment in the effective power rate might be made as and when there is an increase in fuel surcharges. Subject to these conditions the new power rates are to remain in force for a period of five years.

The chief ministers have been requested to have the power supply stepped up to the aluminium industry immediately, while the electricity boards are renegotiating

their contracts with the aluminium companies on the basis of new power rates and principles⁷ suggested.

The following are the suggestions made for improving power supply to aluminium industry :

1. "It would be desirable to phase the implementation of power programme in such a way that the actual requirements of aluminium can be readily fulfilled."⁸

2. "It would be desirable for the government to examine the question of electricity tariffs in detail particularly with a view to determining the range of disparities between one state and another and to advise ways and means for bringing about such uniformity as may be possible without affecting the financial interests of the parties concerned."⁹

3. Nuclear energy can be used in place of hydel and thermal electricity as is already under implementation as has been shown in Table IV. It is clear that "electricity from nuclear reactors can be obtained without high expenses and without polluting the environment. The raw materials from which nuclear energy can be obtained are widely distributed throughout the world and these materials are the only sources of energy which can be transported even more cheaply than oil."¹⁰

4. Hindalco introduced process control programme successfully. Table VI gives the performance observed by Hindalco in their plant with and without control programme.

The data given in Table VI speak

for themselves. Improvement is seen in all directions, after the process control programme has been in action. Further improvements are also expected. It is suggested that the aluminium companies should introduce such programmes which will help to reduce power consumption and will result in economies in all directions.

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4. Annual Report and Accounts, 1973, Hindalco, p.6.
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6. *Energy*, (The Bulletin of the Atomic Scientists), Chicago, Illinois, p 8.
7. *Model Multi-part Tariff*: The effective power rates recommended, delivery at high-tension (H.T. end, for supply of power to aluminium smelters and at various percentages of the contracted quantity are as follows : (Paise/Unit) : First block (upto 25 per cent), second block (from 25 per cent to 50 per cent), third block (from 50 per cent to 75 per cent), fourth block : (above 75 per cent Effective rate (for full power) Karnataka 6.00, 6.65, 7.35, 8.00, 7.00; Kerala 6.00, 6.65, 7.35, 8.00, 7.00; Orissa 6.75, 7.50, 8.50, 9.25, 8.00; Tamil Nadu 7.75, 8.50, 9.50, 10.25, 9.00; U. P. 9.50, 10.50, 11.50, 12.50, 11.00; M. P. 9.50, 10.50, 11.50, 12.50, 11.00.—*The Economic Times*, New Delhi, July 16, 1975, p. 124.
8. Tariff Commission, *Op. cit.*, May 1974 p. 26.
9. *Ibid.*
10. *Development Forum* (Monthly Bulletin) December 1974, The Centre for Economic and Social Information (CESI), United Nations Geneva, 10, Switzerland, p. 1.

TABLE VI
Production and Consumption Data

Sl. No.	Items	Before programme	After programme
1.	Avg. No. of Pots Operated :	50936	51162
2.	Avg. Amperes :	59475	60091
3.	Avg. Volts/Pot :	4822	4794
4.	Avg. Clamp Drop : (MV)	20.6	16.3
5.	Avg. Rod Stub Drop : (MV)	28.4	23.7
6.	Avg. Current Efficiency %	86.91	89.01
7.	Avg. M. T. Production/Day :	212.66	220.81
8.	Avg. D. C. kwh/kg. Aluminium Produced	16.483	16.017
9.	Avg. Net Carbon kg/kg. Aluminium :	0.517	0.496

Source : Hindalco Journal, Winter 1973-74, p.21

Role of fertilizers in agricultural development

Aslam Mahmood &
Qutub Uddin Khan

In this article by Aslam Mahmood, who is an Associate Fellow in the Centre for the Study of Regional Development, School of Social Sciences, Jawaharlal Nehru University, New Delhi and Qutub Uddin Khan, Lecturer in Economics, Dyal Singh College, (University of Delhi), an attempt has been made to study district-wise impact of the use of fertilizers on agricultural development. The authors have come to the conclusion that the level of consumption of fertilizers broadly explains the level of agricultural development in a district. They have also suggested sustained work on these lines.

AGRICULTURE is the major sustenance industry in most of the developing countries, especially of monsoon Asia. Two thirds of the world population lives in these countries which are lagging behind in the race for economic development. India is one of the largest countries in this category. More than 85 per cent of the cultivable land in India is under cultivation and nearly 70 per cent of the active labour force is engaged in agriculture. The high percentage of working force in agriculture reflects not only an inferior level of technology used in agricultural sector but also an overwhelming dependence of the masses on this occupation. The main reason of such a low level of agricultural productivity seems to lie in the past colonial history which was characterised by a gross negligence of the impending economic problem, a situation which not only hampered the progress of agricultural sector but also the over-all economic growth of the country.

unstable growth

In the first half of the twentieth century, the rate of growth of agricultural production was not only very low but highly unstable. The basic reason of the low rate of growth in agricultural production in India is the primitive agricultural technology. The instability in the rate of growth in agricultural production may further be attributed to the vagaries of weather as expressed in droughts and floods, which

caused widespread damages symbolised by the recurrent famines.

This should not be construed to mean that the state of agriculture has been uniform all over the country and that no regional contrasts and disparities have existed. In fact, there have been certain areas where the pace of development has been too rapid while the other areas have lagged behind. Thus, on the one hand, we have Punjab, western UP, coastal Kerala etc. as the highly productive areas and on the other hand are the low productive areas of Bihar, Rajasthan and Madhya Pradesh.

Agricultural development is a multiple objective scheme which should ensure a significant net contribution to the capital needs of other sectors of the economy. The nature of this burden has an important bearing on the means of development. Unlike the resources of other sectors of the Indian economy, agricultural resources are far from scarce. The potentialities and uses of these resources also vary from place to place. Thus, a particular and an important aspect of agricultural planning is the understanding of the existing situation and the drawing up of plans which are consistent with the prevailing situation.

Any strategy of agricultural development should, therefore, mean a transformation of the primitive methods of cultivation into modern ones. The avail-

able resource base of agriculture can mainly be classified into the following four categories: (1) Land. (2) Water. (3) Labour, and (4) Liquid resources (such as money, credit, commercialization and better inputs).

Regional disparities in agriculture will mainly depend on the distribution of these resources, pattern of their exploitation and ownership of these resources. Out of all the factors, labour and land inputs, indicated earlier, are sufficiently high in India. As pointed out by Mellor:

"Agriculture is replete with possibilities for increasing production simply by application of increased labour input. At the same time, if technology is static, growth of agricultural labour force causes the marginal productivity of labour to decline if less and less production intensifying practices are applied with bringing the less productive land into cultivation."

This type of agricultural development will result in an insufficient supply of food and nutrients offering a high death rate and poor health conditions to society. It will also hamper the economic transformation of the country from farm economy to non-farm economy. Again in the words of Mellor:

"For a given tendency for population to expand, the precise pattern of labour supply and productivity will depend on the nature of production function of labour, which in turn is a function of physical qualities of land and capital resources."

In Indian conditions where marginal productivity of agricultural labour is very low, the development of agriculture largely depends on the level of technology used in agriculture. Thus, in a technologically not-so-advanced agriculture, as in India, there are vast opportunities of investment in inputs such as fertilizers,

improved qualities of seeds and irrigation facilities for intensifying the processes of development. Even if these opportunities become available, the results will depend on the social interaction. For a traditional farmer, it is very difficult to grasp all these changes, even if he is agreeable to use the modern methods of cultivation. Due to the lack of guidance and poor inflow of technical know-how, the results may not be satisfactory. On the other hand, if a farmer is properly guided and other facilities are properly made available to him, the results will be highly encouraging and impressive.

complex phenomenon

The transformation of primitive agriculture into low-capital technology is a complex phenomenon. It increases the efficiency of the methods of cultivation and enhances the rate of agricultural growth. In this transformation, both the technological and institutional factors are crucial. But in India, programmes of agricultural development do not exhibit a constant pattern of results. They vary from place to place and from one time point to another time point. The consumption of fertilizers, for instance, will depend on a number of factors such as availability of fertilizers with assured water supply, high yielding variety of seeds, pest control, proper guidance, financial assistance to the farmers, price incentives to the agricultural production, literacy, and the rates of diffusion of the ideas to make wise use of fertilizers. Once fertilizers are available with all the necessary requisites, its impact will be reflected in agricultural development. The objective of this article is, therefore, to study the regional variations in the effectiveness of fertilizers in the agricultural development.

As an indicator of agricultural development the present article utilises the index computed by Pal in his project of regional planning. Pal has worked out the indices of development of (i) Agricultural as well as (ii) Non-agricultural sectors. In his index of agricultural development he has taken three variables:

1. $X_1 = \log(1 + V_1)$: V_1 = Agricultural labour productivity in rupees per person.
2. $X_2 = \log(1 + V_2)$: V_2 = Agricultural

income per acre of gross cropped area in rupees.

3. $X_3 = \log(1 + V_3)$: V_3 = Percentage of gross irrigated area to the gross area sown.

Among all these variables he found a high multicollinearity, so he has extracted the first principal component from this correlated matrix of X_1 , X_2 and X_3 , which explains 68 per cent of the total variation. This first principal component he has taken as the index of agricultural development (Y) given by

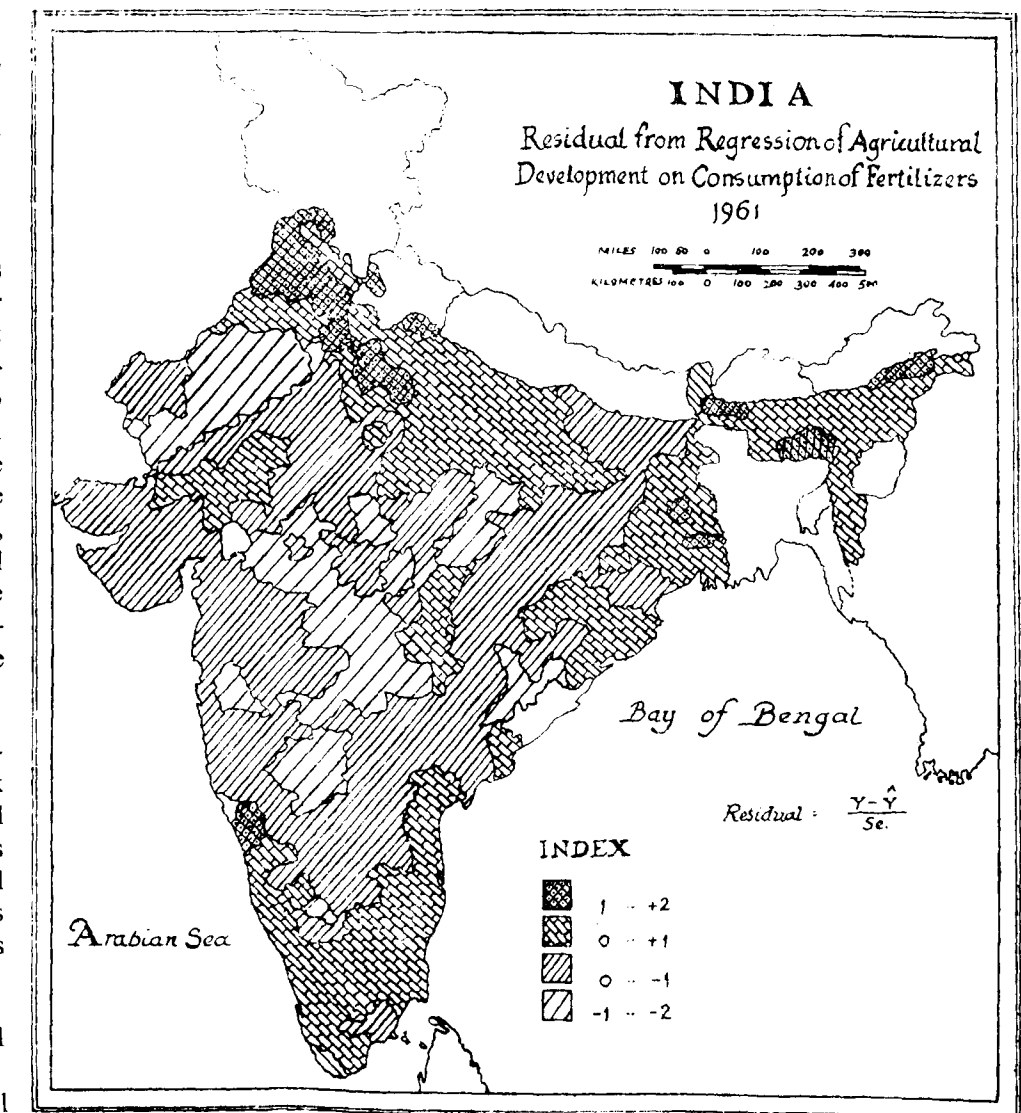
$$Y = 0.175854X_1 + 0.177383X_2 + 0.101087X_3$$

So far as statistics on the consumption of fertilizers are concerned the present article is based on the World Bank study, as no official agency in India publishes the figures for district-wise consumption of fertilizers. Doris Brown of World Bank

and Donde of the ministry of Food and Agriculture jointly published district-wise break-up of fertilizers consumption for a period of ten years from 1959-60 to 1968-69.

The main hypothesis in this article is that a great deal of agricultural development depends on the consumption of fertilizers per hectare of gross cropped area. Chi-square test was applied to test the association of two attributes, namely the levels of agricultural development and the levels of the consumption of fertilizers. The attributes were classified into three categories for a 3×3 contingency table as, (i) less than the first quartile, (ii) from first quartile to third quartile, and (iii) from third quartile and above, as low, medium and high respectively.

After the hypothesis of the dependence of the two attributes was favoured by



Chi-square test, the basic assumption was that agricultural development (Y) is a linear function on consumption of fertilizers (X) and a set of n factors $x_1, x_2, \dots, x_n$, of the form:

$$Y = a + bx + b_1x_1 + b_2x_2 + \dots + b_nx_n + E \dots \dots \dots (1).$$

Where a, b, $b_1, b_2, \dots, b_n$ are some constants and E is an error term.

Among all these variables the consumption of fertilizers was considered as one of the most important proxy variables, because it alone reflects the effect of many other factors as irrigation, high yielding varieties of seeds, technical know-how and credit facilities etc.

The inclusion of all the (n+1) factors in relationship (1) was not preferred in this study because firstly the investigation and collection of data of all the (n+1) factors was practically impossible; second among all these variables a high multicollinearity was suspected which will not permit use of the least square method of estimation of parameters unless we transform the whole set of independent variables into a smaller set of independent principal components.

main variable

The article, therefore, has chosen the consumption of fertilizers as the main variable, the set of all other factors not explained by fertilizers and error term E as the residual "U", so the equation (1) becomes as :

$$Y = a + bx + u \dots \dots \dots (2)$$

The least square estimate of this would give us :

$$\hat{Y} = a + bx \dots \dots \dots (3)$$

Subtracting (3) from (2) we get the residual "U" i.e.

$$\hat{Y} - Y = U$$

The variation in the residual can be interpreted as the effect of other factors.

Thus for a given amount of fertilizer consumption the residuals will show the deviation of agricultural development of individual district from the mean agricultural development of the districts consuming that given quantity of fertilizer. A positive deviation will reflect the

effectiveness of fertilizers mainly due to the impact of other conducive factors which enhance the effectiveness of the fertilizers, such as irrigation, high-yielding varieties of seeds, proper guidance and soil response etc. A negative residual, on the other hand will reflect the ineffectiveness of the fertilizers in the agricultural development. Thus the higher the positive value of the residuals the greater will be the effectiveness of the fertilizers and conversely the higher the negative value of the residual the lesser will be the effectiveness of the fertilizers. After the residuals were computed they were classified according to the properties of the standard errors (SE) of estimate(s). According to this criterion they were divided into the following four categories :

- (1) From 1 to 2 SE of estimate (High)
- (2) From 0 to 1 SE of estimate (Medium)
- (3) From 0 to -1 SE of estimate (Low)
- (4) From -1 to -2 SE of estimate (very low)

Results: Out of 337 districts and union territories of India in 1961, the data for the consumption of fertilizers was available only for 283 districts. Thus this article had to be confined to these 283 districts. The pattern of the consumption of fertilizers per hectare of the gross sown area is furnished in Table I.

In 12 out of 282 districts, no fertilizers were being consumed and in eight districts

TABLE I
Consumption of Fertilizers (N & P) Per Hectare of Gross Cropped Area in India (1961)

Consumption of fertilizers (Kg)	No of districts
0-1	171
1-2	60
2-3	16
3-4	12
4-5	5
5-6	6
6-7	5
7-8	8
Total	283

the consumption was higher than eight kgs per hectare, and in majority of districts the consumption of fertilizers was within two kg per hectare of gross cropped area.

The levels of agricultural development and the levels of fertilizers consumption are given in Table II.

TABLE II
Level of Agricultural Development

	Low	Medium	High	Total
Levels of consumption of fertilizers				
Low	64	12	19	95
Medium	30	17	27	74
High	26	17	71	114
Total	120	46	117	283

The value of the Chi-square test was computed by using the formula where

$$\text{Chi-Square} = \sum \left\{ \frac{(f_o - f_e)^2}{f_e} \right\}, \text{ where}$$

f_o and f_e are the observed and expected cell frequencies respectively for each cell. The computed value of Chi-Square from the above 3x3 contingency table is 53.85, which is significantly higher from the tabulated value of Chi-square for 4 d.f. at 1 per cent level of significance which is 13.28. So the null hypothesis that the two attributes are independent is rejected in favour of the two attributes i.e., consumption of fertilizers and agricultural development.

The results of least square estimate of linear regression of agricultural development on consumption of fertilizers are,

$$\text{Intercept (a)} \quad \text{Regression Coefficient (b)}$$
$$0.994 \quad 0.019$$
$$(0.004) \quad r = 0.274^*$$

(The figure in brackets is the standard error of regression coefficient b, which is significant at 1 per cent level).

The residuals of agricultural development from this regression line have been computed and mapped in Figure 1

page 617 according to the categorization mentioned above. An analytical study of this residual map shows the following major features:

1. Positive deviation of residual is registered by 49 per cent of the districts arranged in the compact regional units.

(i) The first unit almost consists of whole of Punjab, Haryana and the adjacent Ganganagar, whole of non-hilly Uttar Pradesh and adjoining parts of west Madhya Pradesh and west Bihar.

(ii) The next unit consists of West Bengal and most of Assam and other parts of eastern region.

(iii) The third unit consists of the districts of coastal Andhra, Tamil Nadu, coastal Mysore (Karnataka) and almost whole of the peninsula incorporating Tamil Nadu and Kerala.

outlying fragments

Besides these three contiguous units there are three outlying fragments of positive deviation which are in:

(a) Northern Gujarat and southern Rajasthan.

(b) Chanda, Bhandara and Balaghat districts of Maharashtra and Madhya Pradesh.

(c) Central and eastern Orissa.

Within this zone 9.7 per cent of the residuals are highly positive in the belt extending over Punjab, central Haryana and the central Doab in Uttar Pradesh. Isolated fragments, however, lie scattered in parts of Uttar Pradesh, West Bengal, Assam and Meghalaya. In the south the only district was north Kanara.

The above description of the distributional pattern of residuals makes it possible to identify the nature of causal relationship between the consumption of fertilizers and role of other factors such as availability of irrigation facilities and high agricultural potentialities which enhance the effectiveness of fertilizers and thus explains the above average performance as registered by area. A notable fact which emerges from this analysis is the coincidence between the high positive value of residual and a high

percentage of irrigated area or high agricultural potentiality.

Districts with a negative residual lie in a contiguous zone extending over central India from Kutch and Jaisalmer to Chhota Nagpur plateau and over the entire peninsular interior. Barring a few exceptions, there seems an overall causal relationship between the ecologically negative factors and the below average performance. The role of negative factors, such as deficient rainfall or its eccentricities, sandy and unproductive nature of the soil, dissected hilly or upland nature of the terrain, lack of irrigation facilities and the dense forest cover, seems to have been too significant in minimising the effectiveness of fertilizers as an ameliorative agent and as a factor in promoting agricultural development.

The above analysis of the residuals leads to the following conclusions:

(1) By and large the levels of consumption of fertilizers explain the levels of agricultural development.

(ii) As the behaviour of residual strongly suggests vast deviation from the average performance both negative and positive recorded by districts which are neither characterised (a) by a high agricul-

tural potential as expressed in the juxtaposition of agricultural resources, or (b) by the negative factors which exercise a detrimental role in agricultural development and thus minimising the soil response to fertilizer inputs.

(iii) The present article suggests that more sustained work on these lines would yield fruitful results and further explains the role of negative and positive factors in determining the degree of fertilizer effectiveness in the process of Indian agricultural development.

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RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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World Bank operations at record level

The annual report of the World Bank for 1976 has indicated the new peaks attained by the Bank and its affiliates in lending, disbursements and borrowings. The net income of the Bank during the year under reference however fell by as much as 20 per cent. Discussing the economic affairs of the poorest countries having a total population of 1,000 million, it stated that there was little real growth in per capita terms as all the rise in their Gross National Product (GNP) was absorbed by the increase in population.

THE LEVEL of operations of the World Bank and its affiliate, the International Development Association (IDA), set new highs in the fiscal year ended June 30, 1976, according to the Bank's annual report for 1976. Their combined lending for development reached a record \$6,632 million, a gain of \$736 million over lending in fiscal 1975.

Disbursements by both the Bank and the IDA also reached record levels, as did borrowings by the Bank in the capital markets. Net income of the Bank, how-

terms in fiscal 1976 as compared with the previous year. The fiscal year of the Bank covers the 12 month period, July 1 to June 30.

Disbursements by the Bank were up \$475 million to \$2,470 million; disbursements by the IDA, of \$1,252 million, were \$226 million higher than in the previous year. Disbursements by the Bank since the start of its loan operations in 1947, have totalled almost \$20,000 million. The Bank's annual report lists an expanded loan programme, inflation, and the deve-

placed with central banks, other government agencies, and with international organisations. Borrowings from the Interest Subsidy Fund that supports the Third Window totalled \$129.5 million.

The US market was the largest source of borrowed funds to the Bank in the year with sales of \$1,275 million of its obligations. Included was the largest ever public offering of World Bank securities—\$75 million of notes and bonds sold to investors through a nationwide syndicate of investment banking and dealer firms.

In fiscal 1975, borrowings by the Bank were \$3,510 million.

decline in yields

Net income of the Bank for fiscal 1976 was \$220 million, a decrease of 20 per cent or \$55 million, from the previous year. According to the annual report, the decrease was mainly due to the increase in cost of servicing the Bank's debt and to decline in short-term yields on investments.

During the year, several steps were taken to solidify the Bank's financial position for the years ahead. These steps, detailed in the report, included transmitting resolutions to the Bank's board of governors authorising an increase in capital, a hike in interest rates, and a hardening of loan repayment terms.

The capital structure needed to support future Bank lending was reviewed in fiscal 1976. The review indicated that an increase in the Bank's capital was necessary. Accordingly, two resolutions were transmitted to the board of governors. One provides that the Bank's authorised capital be increased by \$8,444 million (in current dollars) to \$41,016 million; the other, that up to \$8,340 million of selective increases to the Bank's capital stock be allotted to 125 member countries.

Approval of the resolution to increase authorised capital will require affirmation by three-fourths of the voting power

WINDOW ON THE WORLD

ever, dipped 20 per cent from fiscal 1975 levels.

World Bank lending in fiscal 1976 was \$4,977 million, up 15 per cent over fiscal 1975. After adjustment for inflation, however, the rate of increase was nine per cent. IDA, which lends to the poorest developing countries at no interest, made commitments of \$1,655 million, a gain, in normal terms, of five per cent, but in real terms, a decline of one per cent below fiscal 1975 amounts. Combined lending by the Bank and the IDA increased six per cent in real

Money figures are expressed in US dollar equivalents.

development of more effective techniques in administering loans and projects as the most likely reasons behind the institution's increased level of disbursements. Disbursements for the five years ended June 30, 1976, were more than double the volume for the five preceding fiscal years.

Forty-one issues, aggregating \$3,811 million, were sold by the Bank in fiscal 1976, of which \$2,331 million, or nearly two-thirds, were publicly offered or privately placed in the investment markets of West Germany, Kuwait, the Netherlands, Switzerland, and the United States. A further \$1,351 million of issues were

the board of governors. The resolution allotting selective increases in subscriptions will require a simple majority of votes cast for approval.

In the event the selective capital increase is approved and subscribed in full, the following changes in voting strength, by categories of countries, would result: The five largest shareholders (United States, United Kingdom, West Germany, France, and Japan), down 2.18 per cent to 42.56 per cent; other developed countries down 0.58 per cent to 18.79 per cent; non-oil developing countries down 1.38 per cent to 29.43 per cent; and petroleum-exporting developing countries up 4.44 per cent to 9.22 per cent.

Given the amount of the proposed increases in the Bank's capital, and, as a result of actions taken during the fiscal year, a level of lending by the Bank for fiscal 1977 and beyond of some \$5,800 million could be sustained.

In fiscal 1976, it was agreed that effective July 1, 1976, a new formula for calculating the rate of interest on the Bank's loans would be employed. This decision resulted from an extensive review of the Bank's financial requirements. Prior to the introduction of the formula, the Bank's lending rate was raised, on an interim basis, to 8.85 per cent for the period June 1-30, 1976. The rate had been 8.5 per cent since January 1975.

new formula

The new formula provides that the Bank's lending rate is to be reviewed at the end of each quarterly period and adjusted to the average weighted cost of funds borrowed in the preceding 12 months. To this calculation, a positive spread of 0.5 per cent is to be added to arrive at the interest rate the bank will charge borrowers on new loans submitted to the executive directors in the ensuing quarter.¹

Under the Bank's articles of agreement, outstanding loans cannot exceed the sum of its unimpaired subscribed capital, reserves, and surplus. To help assure that the Bank's future lending programme does not breach this statutory limitation, it was decided in fiscal 1976 to modify the method

1. On July 1, the Bank's lending rate, as calculated by the new formula, was raised to 8.9 per cent.

of amortising loans. The modification, which affects loans submitted for approval after June 30, 1976, will result in the loan principal being repaid in equal semi-annual amounts, rather than in gradually ascending amounts, over the amortisation period. It was also decided that the Bank would manage repayment terms of future loans so that the weighted average grace period and final maturity do not exceed the equivalent of 3.8 years and 19 years respectively.

the Third Window

An intermediate financing facility, commonly called the "Third Window," was established in fiscal 1976 to enable the Bank to provide loans on terms intermediate between its own and those of IDA. It became operational in December 1975, when pledges of \$100 million in contributions to an interest subsidy fund for the Third Window had been received.

The fund's resources are supplied, on a voluntary basis, by some of the Bank's member countries and by Switzerland, a non-member. From its resources, the fund pays the Bank an amount equal to four per cent a year on the outstanding principal of loans made on Third Window terms. The difference between the four per cent paid by the subsidy fund and the Bank's standard rate of interest is paid by the borrowers.

Eleven countries had contributed \$125 million to the fund by June 30, 1976, an amount sufficient to subsidise some \$600 million of Third Window loans. On that date, total lending through the facility stood at \$477.8 million. Lending on Third Window terms is largely limited to countries with per capita incomes of under \$375 a year.

Developing countries, except for the very poorest, maintained high average rates of growth during 1974 and 1975. This achievement took place despite the combination of world recession and inflation that threatened to leave the economies of these countries in disarray.

The Bank's report said, the annual growth of Gross Domestic Products (GDP) of all developing nations, excluding oil-exporting countries, averaged 5.4 per cent between 1973 and 1975. The annual average was 6.0 per cent in the previous five years. Higher-income developing countries recorded a growth rate of 6.4

per cent during the years 1973- and strengthened their foundations for expansion.

But among the poorest countries, mostly in Asia and in Africa south of the Sahara, and containing more than a billion people, the annual growth rate was only 2.8 per cent. Growth was, therefore, nearly offset by the increase in population, and there was little real growth in per capita terms.

In the past three years, the World Bank says, many of the poorer countries sought resolutely to face their economic problems, for example, by initiating tax reforms, adjusting the domestic prices of petroleum and food, providing incentives to stimulate agricultural production, and adjusting exchange rates.

In Kenya, for instance, the government adopted a wage and price policy to limit growth in private consumption for all but the lowest-income groups. Prices paid to farmers for food were raised and export incentives introduced. Project preparation for public investments was improved; and the currency devalued.

In Burma, procurement prices for paddy were greatly raised so that the area under rice increased by six per cent in 1976. State economic enterprises began to be reorganised; and a drastic tax reform for mobilising resources was enacted in early 1976.

individual efforts

The report notes that the record of reforms initiated by developing countries in recent years abounds with such examples. They include attempts to reduce oil consumption and improve oil and coal production (India), encouragement of additional private savings (Pakistan), alignment of domestic prices with international prices through cutbacks in consumer subsidies (Senegal, Brazil), increases in public investment (Morocco), adoption of conservative monetary and credit policies to reduce inflation (Indonesia, Malaysia, the Philippines), adoption of fiscal reforms to improve social equity (Colombia), increases in prices paid to agricultural producers (Zambia), and increases in taxes (Mexico, Costa Rica).

Implementation of the reforms initiated by developing countries has posed new

problems: for instance, in attempting to protect the very poor while maintaining incentives for farmers without straining the budget; or in holding wages more closely in line with productivity.

The World Bank's report states that the continued growth in developing countries was helped by an increase in agricultural production—due largely to good weather—and by a heavy increase in external borrowing in the better-off developing countries. Some of the poorest nations could not attract enough capital from abroad to sustain their growth, however.

The impact of the world recession, the report adds, was not fully felt by most developing nations until 1975, when the industrial nations' demand for imports fell by nearly 10 per cent in volume. In addition, commodity prices dropped, while prices of manufactures imported by the developing countries rose.

The report notes that an upturn in economic activity in some industrialised countries in 1975 and early 1976 will lessen somewhat the difficulties still to be faced by the developing countries.

The long-term prospects for adequate supplies of food in the developing countries are not bright. By 1985, the report says, about 77 million tonnes might be needed to fill the gap between domestic production of foodgrains and demand. Many food-deficit countries in the developing world, especially in south Asia and Africa, may have to spend up to 30 per cent of their projected export earnings on food imports.

accent on agriculture

The World Bank committed \$1,627.6 million in assistance to the agriculture and rural development sectors in fiscal 1976, the report states. Most of that assistance was earmarked for the purpose of increasing food production. The commitment is expected to benefit directly about 16 million people. An equal number of people are expected to benefit from the previous year's commitment for the same purpose. Of these 32 million potential beneficiaries, about 80 per cent are among the poorest people in the developing world.

The better-off developing countries were aided in the past two years by the fact that they had access to commercial capital. They were able to manage substantial trade

deficits as they maintained or increased imports. The report notes that in the single year 1974 the external public debt of developing countries rose by \$29,531 million to \$151,399 million. The rise of 24.2 per cent is to be compared with one of 20.4 per cent in the previous year.

Lending from private sources increased substantially in 1974. Of the \$96,680 million owed to all creditors by oil-exporting nations and other higher-income developing countries, \$44,385 million (or 45.9 per cent) was owed to private lenders. Most private lending was in the form of bank loans and supplier credits.

Much of the new debt has been incurred by the industrialising countries of the developing world so as to maintain their investment, use industrial capacity more fully, and avoid the economic and social losses that would otherwise have occurred. The Bank expects these countries to return, after a period of adjustment, to growth rates close to those of former years.

aid flows

Total flows of resources to developing countries from the industrial nations rose 40 per cent and reached a record \$37,461 million in 1975, according to the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development.

If grants by private agencies of \$1,371 million are included, the total net flow

of \$38,832 million was equal to 1.02 per cent of the combined Gross National Product (GNP) of those industrial countries which are members of DAC.

This is the first time that the one per cent target adopted by the United Nations for all flows of development assistance, official and private, has been reached.

development assistance

Official aid amounted to \$13,606 million in 1975—20 per cent above the 1974 figure in dollar terms but only 10 per cent higher in real terms. Thus, the fall in "real aid" in 1972 and 1973 was reversed. As a proportion of the combined GNP of DAC members, official development assistance rose from 0.33 per cent in 1974 to 0.36 per cent in 1975.

Estimated commitments by members of the Organization of Petroleum-Exporting Countries (OPEC) rose to \$9,033 million in 1975, against \$8,575 million in the previous year. In 1973, the amount had been only \$1,469 million. About 46 per cent of estimated net disbursements by OPEC countries in 1975 were on concessionary terms.

For the poorer countries, the availability of external resources on concessional terms continues to be vital if they are to achieve their long-term development goals.

India received \$894 million from the World Bank and its affiliate, the IDA during the fiscal year ended June 30, 1976,

Eastern Economist 30 Years Ago

SEP. 27, 1946

Foreign policy, were it merely a matter of politics, could safely be left to the professionals, who play that game. It is not merely that our very lives and fortunes are periodically and terribly affected in almost every material particular by wars, caused by the foreign policies of the Big Powers, but that these foreign policies have even in normal times more than a mere political connotation. Securing of markets, raw materials, investments, loans, foreign exchange, economic concessions, control of supplies of strategic minerals, oil, of a country's transport and power systems, imposition upon other people of one's political or economic philosophy—these are today the objectives of Big Power foreign policy. This is the explanation of the terrible furore caused by such incidents as Mr Churchill's Fulton speech or the recent Wallace affair.

In the development of this conception of foreign policy, as in all other matters of world economic and political significance, the British have played a pioneering part. During the last 200 years, it was common practice for the British Foreign Office to send out agents abroad, who would sneak their way into the policies of foreign countries and by persistent seeking of economic concessions, supported by the whole weight of British naval and political power, undermine the very sovereignty of foreign governments. Their cousins across the Atlantic, due to the peculiar origin of their Republic, avoided the politics of the British Empire, but perfected its economic technique whose working can now be seen in its fullness in the U.S. control of South American economic life and the turbulent nature of their politics.

Federal Republic of Germany: growth without inflation

In this review of the West German economy prepared by the European Department of the International Monetary Fund (IMF), it has been shown that the current recovery, unlike past ones, has been generated domestically rather than through demand for exports. Unemployment fell because of the return of 400,000 migrant workers to their own countries. To top all, the rate of rise in prices dropped while there was a sharp upturn in production.

FOLLOWING THE strong recovery that was confirmed in the first quarter of 1976, the economy of the Federal Republic of Germany has continued on an upward but moderating course that promises to be sustainable without regenerating price inflation. Since the performance of West Germany is an important element in the revival of industrial economies from the deepest recession since 1945, the country's economic management over the past three years and its immediate prospects are here reviewed.

Faced in the spring of 1973 with strong inflationary pressures, the West German authorities were among the first to move toward severe policies of restraint. Price rises had gathered momentum during the upturn that began in mid-1972 under the impetus of a strong upsurge in exports, booming construction activity, and a fast expansion of money supply. Tight monetary and fiscal policies curtailed domestic demand substantially after the first quarter of 1973, but export growth continued, stimulated by inflation prevailing in countries to which West Germany exports.

collapse of boom

The slowdown in domestic economic activity was aggravated by the sharp rise in energy prices at the end of 1973, and after the export boom collapsed in mid-1974, the West German economy moved into its worst recession in the post-war period ahead of most other countries. Between the second half of 1974 and the first half of 1975, real Gross National Product (GNP) fell at a seasonally adjusted annual rate of seven per cent.

nally adjusted annual rate of seven per cent.

The turnaround began last summer, and a notable feature was that the initial impetus for the recovery was essentially provided by stimulatory domestic policies. In the past, economic upswings in West Germany have generally been led by the expansion of exports. However, expansionary monetary and fiscal policies in 1975 sustained the growth of private consumption and supported investment, mitigating the effects of the sharp fall in exports and the large increase in the savings ratio. In the second half of the year, the improvement in confidence brought about a decline in the savings ratio and the rebuilding of inventories.

resurgence of exports

The upswing was further strengthened late last year and in early 1976 by a marked resurgence of exports and a recovery in fixed investment. West Germany was among the first of the major industrial countries to recover from the world-wide recession, lagging only a few months behind the United States. The recovery firmed throughout the first half of this year, as seasonally adjusted GNP rose at an estimated annual rate of 9-10 per cent from the second half of 1975. By this June, industrial production, seasonally adjusted, had increased by 13 per cent over its low of July, 1975, and was less than one percentage point below the previous peak, reached in May 1974.

To contain upward pressures on prices and wages, the authorities have in the

recent past relied primarily on fiscal and monetary policies and on efforts to increase competition. They have opposed direct price and wage controls and have sought to persuade the business community and labour unions, in the framework of "concerted action", to exert moderation in pricing and in wage settlements. The boom of late 1972 and early 1973 severely strained productive capacity and quickened the pace of wage and price increases. Although the restrictive monetary and fiscal policies introduced in the spring of 1973 led to a prompt drop in capacity utilisation, expectations of accelerating inflation continued, and were heightened by the sharp rise in the price of oil and other raw materials toward the end of 1973.

rise in price index

The cost of living index rose by seven per cent on an average in 1974, the highest rate for the past quarter of a century. By taking early action to cool the overheating economy and then by maintaining a tight money policy until inflationary fears were allayed in late 1974, the authorities succeeded in reversing the price trends, with the average increase in the cost of living decelerating to six per cent in 1975, next lowest to Switzerland for the year.

The breaking of inflationary expectations also had a marked impact on labour costs. Contracts made in the early months of 1975 provided wage increases of the order of six to seven per cent, sharply down from settlements a year earlier. Although cost pressures continued to be strong as productivity declined at the beginning of 1975, they eased considerably in the course of the year, with productivity improving. The average increase in unit labour costs decelerated from almost nine per cent in 1974 to somewhat more than seven per cent in 1975.

Employment suffered with the marked

according to the annual report of the World Bank. The year's lending in \$54 million more than the \$840.1 million committed during fiscal year 1975.

The bulk of the Bank/IDA lending for economic development in India has been on concessional terms. About \$684 million of the total during the past fiscal year has come from IDA. The Association's credits have been for 50 years, free of interest, but carry a service charge of 3/4 of one per cent. A loan of \$145 million is on the Bank's "Third Window" terms—carrying an interest rate of 4.85 per cent, with an additional four per cent being paid to the Bank by the Interest Subsidy Fund, representing the difference between the Bank's standard interest rate and the charge to India. The balance of \$65 million was at 8.85 per cent per annum.

The table below summarises Bank/IDA lending in India in fiscal year 1975.

The report refers to the Indian bumper harvest of 116 million tons and its favourable impact on the economy. Other agricultural commodities also reached new production peaks. In addition, more

fuel, cement, coal, steel, and other basic commodities became available; transport problems also eased. The increased supplies, together with controls on demand, enabled the government to control inflation.

"While India seems to have weathered its short-term problems, it continues to face major, long-term challenges. Population remains high, and the task of implementing programmes to raise the productivity of millions living in poverty continues to be difficult. In response to these challenges, the government substantially increased its development expenditures (90 per cent of its total capital formation, or about \$12,000 million, is financed through its internal resources). Particular emphasis was placed on agriculture and energy. Population control continues to be a special concern of policy, as reflected in India's large family planning programme," the report added.

"Economic conditions in South Asia were considerably better in the year ending June 1976 than in the preceding three years—the severe blow dealt by the spurt in the prices of oil, food, fertilizer, and

other essential imports in fiscal 1974 notwithstanding," the report says.

"There were several reasons for improved economic conditions. The most important was the good monsoon, which resulted in ample harvests in most countries of the region. Thus after several poor agricultural years, food supplies increased substantially. Larger food supplies together with strong financial stabilisation efforts initiated by most governments, were effective in stopping or slowing inflation for the first time in several years. Increased foreign financial support to the region from both multilateral and bilateral sources, including OPEC (Organization of Petroleum-Exporting Countries) funds for some countries in the region also helped efforts to tackle terms of trade problems," the report adds.

fundamental problems

The report also notes that the improved economic conditions of the past year should not, however, obscure the fundamental development problems of the region. Nor should they be allowed to distract attention from world price changes, which aggravated investment problems by causing large deficits and by increasing the already heavy debt burden in the region. (The effects of the price changes can be measured by the sudden and marked increase in the region's aggregate trade deficit in fiscal 1975 to some \$4,500 million, a five-fold increase over fiscal 1973).

The report said: "The world's most populous region, South Asia faces enormous development problems. The population has been increasing at two per cent to three per cent a year, and close to half the 'absolute poverty' among the Bank's member countries is concentrated here. Productivity is particularly low and years of effort have shown only modest growth in productivity. Few gains have reached the very poor."

In fiscal 1976, the Bank and the IDA provided \$1,349.2 million for development projects in six South Asian countries—Bangladesh, Burma, India, Nepal, Pakistan and Sri Lanka.

Courtesy: World Bank.

World Bank and IDA Lending to
India in 1976

(Amount in \$ million)

	World Bank	IDA
Rural Electrification	—	57.0
Water Supply and Sewerage (Uttar Pradesh)	—	40.0
Indian Railways	—	110.0
Fertilizer Production	—	105.0
Technical Assistance—Forestry	—	4.0
Electric Power Transmission	—	150.0
Cotton Production	—	18.0
Industrial Imports	—	200.0
Development of Irrigation and Command Areas (Andhra Pradesh)	145.0 (Third Window)	—
Industrial Development Bank of India (IDBI)	40.0	—
Seed Production	25.0	—
Total	210.0	684.0

deterioration in economic activity, and from the spring of 1973 to the middle of 1975 the seasonally adjusted unemployment rate rose from one per cent to 5.3 per cent of the dependent labour force. On average, the number of unemployed persons in 1975 was more than double that of the previous recession in 1967. In addition, there was a strong increase in the number of workers employed less than full time. Unemployment would have been even worse had it not been for the return of some 400,000 foreign workers to their home countries between the spring of 1973 and the middle of 1975.

stabilisation policy

The use of fiscal policy for stabilisation was significantly facilitated by the adoption of the Stabilization and Growth Law in 1967. This law, which set price stability, a high level of employment, external equilibrium, and steady economic growth as the four principal economic policy objectives (having equal priority), enabled the fiscal authorities, with the approval of parliament, to vary at short notice public expenditures and revenues in an anticyclical manner. The Federal government was authorised to change, on the basis of an abbreviated legislative procedure, income and corporate taxes by an amount up to 10 per cent for the duration of one year and to take other anticyclical measures. The law also required the Federal and Lander governments to provide for the formation of anticyclical reserves to be kept with the Deutsche Bundesbank. With the enactment of this law, the authorities were provided with an efficient set of instruments to moderate cyclical fluctuations.

The possibility of pursuing an effective monetary policy was greatly enhanced in March 1973 by the floating of the Deutsche mark against currencies outside the European Common Margins Agreement. At the same time, the Deutsche Bundesbank modified the conduct of its monetary policy by setting as its chief operating target the growth of central bank money (defined by the Bundesbank as the sum of currency in circulation and minimum reserves at constant reserve ratios) rather than the free liquid reserves of the banking system.

The comprehensive fiscal stabilisation

programmes introduced in February and May 1973 included measures to curtail the growth of private expenditures, especially business investment and home-building. The Bundesbank vigorously reinforced this policy by limiting the supply of central bank money. To this end, the Bundesbank consistently applied traditional monetary policy instruments to offset unwanted inflows of liquidity arising from exchange market interventions in support of currencies in the Common Margins Agreement. In response, interest rates rose sharply and the growth of monetary aggregates slowed considerably.

Because of the sluggishness of domestic demand and the envisaged effect of higher oil prices, most restrictive fiscal measures were lifted in December 1973. From then through early 1976, additional fiscal stimulus was used to spur economic activity and to alleviate unemployment. The fiscal packages introduced in this period mainly included additional expenditures

for public investment and labour market subsidies, an investment grant to enterprises, the reform of the income tax and family allowance system, and special support to the construction sector. These countercyclical measures, coupled with tax shortfalls and a marked increase in unemployment and short-time work compensation significantly affected public finances, which moved from a surplus of 1.5 per cent of GNP in 1973 to a deficit of six per cent of GNP in 1975.

Restrictive monetary policy was not relaxed until inflationary expectations died down at the end of 1974. In December 1974, the Bundesbank announced a monetary policy objective of an eight per cent increase in central bank money in 1975 compared with an increase of six per cent in the previous year. In spite of strong public sector borrowing throughout 1975, the expansionary action of the Bundesbank and relatively weak private credit demand for most of the year led to a sharp decline in interest

TABLE I

Federal Republic of Germany : Resources Supply and Demand

	1973	1974	1975	1976*
Supply		(percentage change in volume)		
Gross National Product	5.1	0.4	-3.4	7.0
Imports of goods and services	10.3	4.8	0.7	12.0
Demand				
Private consumption	2.7	0.2	2.2	4.0
Public consumption	4.1	4.7	3.3	2.0
Gross fixed investment	0.6	-8.1	-4.8	6.5
Exports of goods and services	16.9	13.3	-8.9	11.0
Memorandum Items :		(percentage change)		
Industrial production	6.9	-1.4	-6.3	9.5
Cost of living	6.9	7.0	6.0	5.0
		(per cent)		
Unemployment as percentage of dependent labour force	1.3	2.6	4.7	4.3
Savings as percentage of disposable income	14.2	15.2	15.9	14.0

* IME staff forecast.

Source : Deutsche Bundesbank, Monthly Report and Supplement 4; Statistisches Bundesamt, Wirtschaft und Statistik; and IMF staff estimates.

rates. The increase in the stock of central bank money in 1975 was somewhat in excess of the target, mainly as a result of a rapid expansion at the end of the year when there was a marked upsurge in private credit demand.

Owing to the divergence in the growth of exports and imports, the 1974 balance of payments surplus on current account rose to an unprecedented high level of DM 25 billion (SDR eight billion), more than 2.5 per cent of GNP. This was mainly a reflection of the persistently strong inflation in other countries through 1974 when slack demand already prevailed in West Germany. When West Germany's trading partners subsequently dropped into severe recession, the effect on German trade was compounded by its particular export structure, with its heavy emphasis on investment and intermediate goods, and the result was a marked decline in exports in 1975 for the first time in the post-war period. After the record gain of market shares of seven per cent in 1974, West German exporters suffered a loss of market shares of six per cent in 1975. Since its domestic demand held up reasonably well despite the fall in real GNP, West Germany was the only major industrial country to experience a rise in import volume in 1975, and the surplus on current account fell to DM 9.5 billion, less than one per cent of GNP.

favourable effects

It is difficult to find evidence of an impact of exchange rate and cost and price movements on the trade balance. If there were such effects, they were obscured by favourable cyclical effects for West Germany in 1974 and unfavourable ones in 1975. The initial deterioration in the competitive price position of West German exports as a result of the marked effective appreciation of the Deutsche mark in 1973 has subsequently been offset by more favourable cost and price developments in West Germany than abroad.

While there was a significant increase in 1973 in the Bundesbank's net foreign assets, in 1974 and 1975 surpluses on current account were on an average almost fully compensated by net capital outflows—an outcome that was fostered by exchange rate and relative interest rate

developments. Exchange market interventions by the Bundesbank throughout 1974 and 1975 were moderate, and market forces were largely reflected in fluctuations of the exchange rate. Interventions for currencies outside the Common Margins Agreement have been confined to smoothing erratic fluctuations and countering temporary bandwagon movements. The effective appreciation of the Deutsche mark was more than nine per cent from March 1973, when the currency began to float, to the end of 1975.

Some of the uncertainties concerning the pace and duration of the recovery from the recent recession, notably those relating to the strength of foreign demand, are now much reduced. The present official forecast of a six per cent growth in real GNP appears to be the lower limit of the possible outcome in 1976, notwithstanding the fact that in the second quarter of the year the upswing lost some of its impetus.

The more moderate pace of growth,

which is expected to be maintained through the second half of 1976, improves the prospects for a continued recovery without an imminent renewal of price pressures. Gradually increasing capacity utilisation and growing profits have improved the outlook for a further strengthening of business investment, even though the stimulative fiscal programmes lost most of their impact by the middle of the year. With the revival of production, capacity utilisation in industry had improved by somewhat more than five per cent by the first quarter of 1976 from its low point in the third quarter of 1975; however, considerable slack in the utilisation of both plant capacity and labour still exists.

While it is largely a cyclical problem, regaining full employment may also have longer-term implications. The decline in investment and the increase in the rate of obsolescence that occurred in recent years have diminished the capital stock growth rate, and the concern remains that the

TABLE II

Federal Republic of Germany : Monetary Survey

	1973	1974	1975
	(period averages, change in per cent)		
Monetary base	10.4	6.3	9.7
Central bank money*	10.5	6.2	7.9
Money (M1)	5.8	5.4	14.0
Money plus quasi-money (M2)	17.9	7.4	-0.4
M2 plus savings deposits at statutory notice (M3)	12.0	7.8	7.6
Bank Lending to:			
Domestic nonbanks			
of which :	13.5	8.2	7.9
Public authorities	9.6	12.2	26.4
Private nonbanks	14.3	7.5	4.4
Interest Rates			
Three-month market rate	12.1	9.9	5.0
Bond yield	9.2	10.6	8.1

* Bundesbank definition : Currency in circulation plus minimum reserve requirements on domestic bank liabilities at constant reserve ratios.

Source : Deutsche Bundesbank, Monthly Report and Supplement 4; and IMF staff calculations.

current economic upswing could run into bottlenecks in the use of plant capacities before unemployment is reduced to satisfactory levels. The authorities are, therefore, concerned about the need to improve the investment climate in the longer term. They are encouraging a shift in income distribution back toward profits, and are seeking to ensure that private investment is not crowded out by public expenditure.

Although the seasonally adjusted unemployment rate declined to 4.6 per cent of the dependent labour force in July 1976, this was mainly the result of a reduction in domestic participation rates and a return of more foreign workers to their own countries. Also, short-time working has been reduced significantly. Employment continued to decline up to the first quarter of 1976, and it was only in the following quarter that enterprises begin to hire new personnel. It thus seems probable that the seasonally adjusted rate of unemployment at the end of 1976 will still be about four per cent.

deceleration trend

Price increases continued to decelerate during the upswing, and the increase in consumer prices had declined to an annual rate of 4.1 per cent by July. The rate of increase for all of 1976 is expected to fall slightly below five per cent. Since productivity is continuing to improve markedly and the wage agreements concluded at the beginning to the year provide for moderate wage increases on the order of five to six per cent, unit labour costs in industry are likely to show a slight decline.

In an effort to encourage the required shift in the distribution of resources from the public sector to private investment, the authorities announced in September 1975 a programme to consolidate the public sector accounts. By keeping expenditure growth at a more moderate level and by raising some revenues over the coming years, the intention is to reduce the deficit gradually to $\frac{1}{2}$ — $1\frac{1}{2}$ per cent of GNP by 1979. In 1976 a slower growth of public expenditures and a significant acceleration in the rate of increase in revenues, is expected to cut the financial deficit to about five per cent of GNP, compared with last year's six per cent of GNP. Since the

reduction is largely cyclical, the public sector is likely to exert about the same expansionary effect this year.

To secure adequate monetary expansion for longer-term economic growth and still contain the rate of inflation within narrow limits, the Bundesbank in December 1975, announced its monetary objective, setting as its target for 1976 an average increase in central bank money of eight per cent. On May 1 and again on June 1 1976, the Bundesbank raised the minimum reserve requirements to offset the impact of the strong inflow of foreign exchange in the previous months. In the first seven months of 1976, the stock of central bank money was 9.2 per cent higher than in the corresponding period of 1976—and slightly in excess of the official target. Owing to the relative weakness of private credit demand, interest

rates continued to decline until April 1976, when they began to firm. They may be expected to rise further this year.

In the first half of 1976 there was a strong rise in both exports (a seasonally adjusted annual rate of 21 and 20 per cent, respectively). Although the balance of payments surplus on current account was weaker than in the first half of 1975, for 1976 as a whole it will probably not be much smaller than in 1975. With the firm recovery of the world economy, export markets are expected to grow vigorously and West German exporters may again achieve a gain in market shares. They are likely to further improve their competitive price position in the light of expected cost and price developments in West Germany and abroad, despite the effective appreciation of the Deutsche mark by more than 47 per cent in the first half of 1976.

TABLE III
Federal Republic of Germany : Balance of Payments

	1973	1974	1975
	(billion deutsche mark)		
Trade balance*	32.3	49.2	35.2
Travel, net	—11.5	—12.2	—13.9
Other services, net	6.5	4.5	4.9
Private transfers, net	—9.5	—9.3	—8.2
Official transfers, net	—6.4	—7.1	—8.9
Current account	11.5	25.1	9.5
Long-term capital, net	13.0	—5.8	—16.6
Short-term capital, net†	2.0	—21.3	4.9
Change in valuation of reserves	—10.3	—7.2	5.5
Change in official reserves (increase in assets—)	—16.1	+9.1	—3.3
	(million SDRs, end of period)		
Memorandum Items :			
International reserves	27,497	26,461	27,510
	(period averages)		
Deutsche mark per SDR	3.1860	3.1167	2.9874
Deutsche mark per US dollar	2.6725	2.5919	2.4605
	(May 1970=100)		
Effective exchange rate**	119.3	125.5	127.6

* Including supplementary trade items. † Including errors and omissions. ** Based on multilateral exchange rate model of the IMF.

Source : Deutsche Bundesbank, Monthly Report and Supplement 3; and IMF, International Financial Statistics.

Courtesy : IMF Survey (September 6, 1974)

TRADE WINDS

Economic Census in Unorganised Industries

A COUNTRY-WIDE economic census is being launched by the Central Statistical Organisation to ascertain the structure, activities and performance of the unorganised sectors. It will cover mining, manufacturing, trade, transport, construction and services sectors. Lack of adequate information in these areas has hitherto been a serious handicap in regional and district level planning and in the estimation of state and national income, and also in the identification of the backward areas/districts. The proposed economic census, estimated to cost about Rs 3.5 crores, is a major step in streamlining the existing statistical system. It is of the same significance as the population and agricultural censuses and is essential for formulating Plan policies. So far, attempts to organise surveys of small industries, distributive trade, etc., have been partial and sporadic.

Integrated Census

An integrated economic census, now proposed, is an essential step, to provide the requisite information for planning, administration and the compilation of national accounts.

The economic census will cover over two million establishments, employing one or more hired workers in the rural and urban areas. It seeks information on basic characters such as location, ownership, type of activity, number of

persons employed and the value of output or turnover for each establishment. The census will be followed by detailed sample surveys in a phased manner. These will provide district level estimates of the quantity and value of inputs and outputs, investments, employment and emoluments for different sectors. The whole programme of census and surveys is expected to be completed in a period of three years. The main census will be taken up towards the middle of next year. A technical advisory group of statisticians and economists which met in Delhi on September 8 and 9, discussed the technical and operational details of the programme.

Oil Exploration: India Sri Lanka Cooperation

The minister for Petroleum, Mr K.D. Malaviya and the visiting Sri Lanka minister for Industries and Scientific Affairs, Mr T.B. Subesinghe, had a discussion on matters of mutual interest relating to development of oil industry in the two countries, particularly oil exploration. Welcoming the Sri Lanka minister, Mr Malaviya said that India would be always prepared to offer to Sri Lanka any help it can give to develop their oil industry. Both the countries were currently engaged in onshore and offshore exploration of oil and India would be quite willing to a mutual exchange of geological and scientific information. India would be glad if such an

exchange could lead to a better investigation of prospective oil-bearing sediments in Sri Lanka. Mr Malaviya said that India would be glad to be of assistance in training Sri Lanka petroleum technicians and would be prepared to make available such oil exploration equipment that India manufactures itself. A proposal was mooted from the Sri Lanka side which included the managing director of the Sri Lanka Petroleum Corporation, Mr G.F.P. Withana, that the Sri Lanka Trincomalee harbour could be developed to serve as a supply base for oil exploration activities for use of both the countries.

Customs and Excise Advisory Council

The Customs and Central Excise Advisory Council has been reconstituted. The minister of Revenue and Banking will be the chairman of the council. Among the members will be two members of Parliament, one from each house. They are Mr R.K. Sinha, M.P. from Lok Sabha and Mr Ahmed Hossain Mondal, MP from Rajya Sabha. The council will have six ex-officio members. They are president, Federation of Indian Chambers of Commerce and Industry; vice-president, Federation of Indian Chambers of Commerce and Industry; president, Associated Chambers of Commerce and Industry of India, president, All-India Manufacturers' Organisation; president, All India Importers' Association; and president, All India Exporters' Chamber. Not less than seven members will be nominated by the government from time to time. Presently, the nominated members will be Mr J.B. Shah, Bombay; Mr

Swaraj Basu, Delhi; Mr T.N. Viswanatha Reddy, Hyderabad; Mr A.M.S. Ganesan, Sivakasi (Tamilnadu); Mr G.P. Goenka, Calcutta; Mr Madhav Prasad, Lucknow; Mr Santanu Roy, Calcutta and Mr O.M. Khosla, Calcutta. The other members of the council are: Director General, Bureau, of Public Enterprises, who will represent the interests of the public sector undertakings; Finance Secretary; Chairman, Central Board of Excise and Customs; all members of the Central Board of Excise and Customs and Gold Control Administrator. One of the secretaries or directors to the Central Board of Excise and Customs will act as secretary of the council. The term of office of nominated non-official members will be two years. The term of office of members of Parliament will also be for two years or earlier if they cease to be members of Parliament. The chairman of the council can specially invite any other person to attend any meeting of the council.

Minimum Cane Price

The government has, after careful consideration, decided to maintain the minimum cane price, its linkage with percentage of sugar recovery, the partial control policy including the proportion of levy to freesale sugar, unchanged for 1976-77 season. The minimum sugarcane price effective from October 1, 1976 would, therefore, continue to be Rs 8.50 per quintal for a basic recovery of 8.5 per cent or below with a premium of 10 Paise per quintal for every 0.1 per cent increase above that level. The levy and freesale sugar proportion will also continue to be 65:35. The above decisions

have been taken in the context of the overall economic situation and the continuing need for holding the price line of all the essential commodities like sugar meant for mass consumption.

LIC Invests in Social Projects

In pursuance of its policy to invest people's money for the good of the people, the Life Insurance Corporation of India has been making investments in socially-oriented projects like electricity, housing, water supply, sewerage, agriculture and industries. During August 1976, the corporation invested nearly Rs 7 crores on such projects. Out of this sum, Rs 5.30 crores were given as loan to Haryana State Electricity Board, Rs 84 lakhs to Baroda Municipal Corporation for urban water supply and sewerage scheme and Rs 50 lakhs to West Bengal State Apex Cooperative Housing Society for house building.

Small-Scale Sector

The LIC also gave a loan of Rs 17.40 lakhs for setting up an industrial estate in Gujarat and Rs 9 lakhs to Amravati rural piped water supply scheme. The corporation also invested last month Rs 27.34 lakhs in government securities and bonds and debentures of government and semi-government institutions and corporations of 13 states in India. It gave Rs 1.60 crores as loans and subscriptions to debentures of public companies in the private sector and Rs 3 lakhs were given as loans to sugar cooperatives in UP. The total gross investments made in the socially purposive schemes by the corporation have amounted to Rs 1700 crores. Such investments were of the

order of only Rs 8 crores in 1957.

New Power Schemes

The Central Electricity Authority had given techno-economic approval to 25 power schemes with a total estimated outlay of Rs 873 crores in 1975-76. During the same period, it had received one hundred schemes with an estimated outlay of Rs 4680 crores. These included 40 hydro, 10 thermal, 44 transmission and distribution and six rural electrification and other schemes. Of the 25 schemes approved, 14 were power development schemes costing Rs 432.33 crores. In addition, final comments on 22 power development schemes has been prepared and circulated among the members of the Central Electricity Authority for technical clearance. It may be recalled here that under a government order of August 31, 1975, techno-economic approval is required to be accorded by the Central Electricity Authority for all power schemes before the ministry of Energy recommends these schemes to Planning Commission for an investment decision.

Tanzanian Contract for NSIC

The Small Industries Development Organisation of Tanzania has awarded a contract for setting up small-scale industrial units on a turn-key basis to the National Small Industries Corporation of India. An agreement to this effect was signed by Mr K.N. Sapru, Chairman, National Small Industries Corporation and Mr E.M. Anangisye, acting Director-General of the Tanzanian Small Industries Development Organisation recently. The total value of the contract is estimated at Rs 2

crores and cover the supply of tiles and bricks, pencils, machinery and equipment and erection of plants for the manufacture of sugar (Khand-sari), white crystal sugar, hand-made paper, cloth (power loom), bicycle parts,

wooden products, bolts, nuts, buttons, screws and rivets, band-saws and hand-saws, etc. The plants will be set up in Tanzania by the NSIC on a turn-key basis and handed

Department of Atomic Energy

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay, invites tenders as detailed below:

(1) Tender No. DPS/NAPP/PPED/ENG/64 due on 5.10.76. Fabrication and supply of Electrolytic Copper Grounding Rods as per drawing and tender specification. Qty. 150 Nos.

(2) DPS/MAPP/ENG/75 due on 21.10.76. Carbon Steel Flat Split Consumable Rings in various sizes and large quantities as per tender specifications. Import Licence will be provided, if necessary. Qty. 5,000 No.

(3) DPS/BARC/MTL/3724 due on 8.11.76. Aluminium Bronze Rolled Plates in different sizes as per purchaser's tender documents Qty. 66 Nos.

(4) DPS/RR/IEE/175 due on 7.10.76. Scanning Electron Microscope with facilities for elemental analysis. 1 No.

(5) DPS/TAPS/GEN/435 due on 8.10.76. Hand gloves cotton hosiery type with good quality elastic (yellow) 1, 80,000 Prs.

(6) DPS/TAPS/GEN/434 due on 11.10.76. Cap cotton yellow made out of good quality drill cloth in yellow size 60.96 cms. (24") 10,000 Nos. Shoe Cover cotton made yellow drill with superior elastic 2,00,000 Pairs.

(7) DPS/TAPS/GEN/440 due on 12.10.76. P. V.C. Boiler Suit, yellow with hood Size: 1150 mm, X 1750 mm (46" X 70")—1000 Nos.

(8) DPS/RR/IEE/173 due on 4.10.76. Nickel-diagram hydrogen detection system. 3 No.

(9) DPS/NAPP/PPED/ELE/14 due on 7.10.76. Design, manufacture, testing and supply of stove enamelled Rigid Steel conduits with couplers and Junction boxes as per specification. Quantity: 228 Nos.

(10) DPS/BARC/CAP/2173 due on 19.10.76. Motorised (Power) turret punch press, pressure 10 tonne or more, as per purchaser's specification. 1 No.

(11) DPS/NFC/FAB/50 due on 11.10.76. Fabrication and supply of Heat Exchangers for Nitric Acid Recovery as per Purchaser's Tender specification and drawings. Qty. 2 Nos.

(12) DPS/BARC/FAB/114 due on 29.10.76. Preparation of shop drawings, manufacture, inspection, assembly, testing, packaging delivery assemblies along with supporting structural frames and guarantee of the Piping Purchaser's Tender Document and drawings. Qty. 1 complete set.

(13) DPS/PPED/ELE/391 due on 8.10.76. "M.V. Power Cables as per tender documents" Qty: 5200 Mtrs.

(14) DPS/NAPP/PPED/FAB/19 due on 15.11.76. Manufacture, supply, inspection, testing, tropical export packaging, delivery and guarantee of End Fitting Seal Bellows assembly as per Purchaser's Tender Document. Qty. 1407 Nos.

(15) DPS/NFC/CAP/392 due on 15.11.76. Design, submission of drawings, manufacture, shop assembly, inspection, supply, packing, delivery, installation, testing, commissioning and guarantee of Electric Resistance Heated Continuous Roller Hearth Annealing Furnaces, each having capacity of 3 tonnes/hour, as per Purchaser's tender documents and drawings—2 Nos.

Tender documents priced Rs 5/- each for items at S. No. 1 & 2, Rs 10/- for items at S. No. 3, Rs 15/- each for items at S. No. 4 to 7, 11 & 12, Rs 100/- each for items at S. No. 13 & 14 and Rs 400/- for items at S. No. 15 and General conditions of contracts priced Rs 0.50 except for items at S. No. 11, 12 & 14, can be had from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd Floor, Mohatta Building, Palton Road, Bombay-400 001, between 10 a.m. to 1 p.m. on all working days except on Saturdays. Tender documents and General conditions for items at S. No. 10 and 15 will however be issued upto 13.10.76 and 8.11.76 respectively. Import Licence will be provided except for items at S. No. 9, 11, 12 & 13 only if the items are not available indigenously. Tenders will be received upto 3 p.m. on the date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons. dwp 645(199)76.

over. Tanzanian technicians and workers will be trained by the NSIC for running the plants under the agreement. The NSIC will also train one Tanzanian technician for each plant at a similar plant in India. The raw material requirements of the industries to be set up in Tanzania would be met by exports from India which will be paid for in foreign exchange. This agreement is the latest in a series of such agreements which India and Tanzania have had for cooperation in various fields. It is expected to further cement the close and friendly relations between the two countries.

Output of Public Undertakings

During August 1976, the public undertakings under the Department of Industrial Development achieved production valued at Rs 10.34 crores as against production worth Rs 8.49 crores in the corresponding month in 1975, showing an increase of 22 per cent. The target for August 1976 was set at Rs 10.13 crores. The actual production has exceeded the target figure. The cumulative production by these undertakings from April to August 1976 was worth Rs 47.31 crores, recording an increase of 41.4 per cent over the production worth Rs 33.45 crores in the corresponding period last year. The undertakings which were mainly responsible for the higher value of production during August 1976 are Hindustan Photo Films, Instrumentation Limited, the NEPA Mills and National Instruments Limited. Their achievements against the monthly targets were: Hindustan Photo Films (120.27 per cent); Instrumentation Limited (100.56 per cent); NEPA Mills (98.10

per cent) and National Instruments Limited (97.69 per cent). The actual production at the Hindustan Photo Films was valued at Rs 2.88 crores, which was 36.07 per cent higher than the production worth Rs 2.11 crores in August 1975. In quantitative terms, the production during the month was 776,000 sq metres against the target of 645,000 sq metres.

Aircraft Parking, Landing Fee Increased

The government has decided to increase the landing, parking and other charges of aircraft both at the international and domestic airports. The step has been taken to meet the increasing cost of airport facilities provided to airlines and to generate additional resources for the massive investment programme for improvement of airport infrastructure. The recommendations made by various committees including the Tata Committee set up by the ministry of Tourism and Civil Aviation to go into the question of improving the services at the airports involve an expenditure about Rs 225 crores over the next five years. This includes an outlay of Rs 100 crores on development of aeronautical communication services, Rs 15 crores for developing the runways and terminal buildings of domestic airports and Rs 38 crores on the development of international airports.

Consumer Cooperatives Meet

A two-day all-India conference of presidents, chairmen and chief executives of the national and state level consumer cooperative federations, chairman and chief executives of selected consumer cooperative institutions and other cooperatives engaged in consumer business and the regis-

trars of cooperative societies was held on New Delhi on September 21 and 22, 1976. The union minister of Civil Supplies and Cooperation, Syed Mir Qasim inaugurated the conference.

The conference discussed the progress and problems relating to the development of consumer cooperatives and particularly considered the proposals for reorganisation and rationalisation of the structure of the consumer cooperatives, progress and problems of distribution of consumer articles in rural areas and expansion of the scope of the centrally sponsored schemes. It also undertook a detailed review of the progress made by the consumer cooperatives in the implementation of the 20-point Economic Programme, namely distribution of controlled cloth, supply of consumer articles to students' hostels etc.

Men's Fashion Week in Cologne

With 53 direct exhibitors and another two represented firms, this country took the leading position amongst the foreign exhibiting countries in the autumn event of the Men's Fashion Week, which was held in Cologne from August 27 to 29. Second to India ranked Holland with 50 direct exhibitors plus two represented firms, followed by UK with 43 direct exhibitors plus eight represented firms. The big Indian entry of altogether 55 firms is the absolute record in India's regular participation in this fair. In last year's Men's Fashion Week in autumn only 22 Indian exhibitors showed their goods. All Indian exhibitors report good results. Main goods of display were gents' outer garments, ties, undergar-

ments, leisure wear, belts, work clothing and knitwear.

Import of Capital Goods

The ministry of Industry has decided to discontinue the procedure of advertisement prescribed for import of capital goods under the modernisation and balancing schemes. The decision has been taken in order to expedite clearances under the scheme. Since the imports under the scheme are limited to a value of \$250,000 per firm per annum, the capital goods imports not requiring the advertisement procedure would stand restricted to this ceiling for applicants to the special committee for the Technical Development Fund. The government had announced the setting up of a Technical Development Fund in March, 1976, with the aim of promoting technological upgradation, modernisation and export development. The fund is primarily meant for assisting six selected industries. These are; commercial vehicles, tractors, forgings, foundry, textile machinery and machine-tools. The scheme is also open to other industries, but only with the purpose of enabling them to execute specific export orders with the help of the proposed imports.

Cocoa Products & Beverages

The makers of Hart's range of products and also Hart's Promivit, the cocoa based protein-mineral-vitamin drink are now introducing their cocoa chocolates, Hart's kandy chocolates and nutty milk bars. Hart's Promivit has been the combined effort of the Hart's and the Central Food Technological Research Institute, Mysore. It contains 20 per cent pure vegetable protein, vitamin

backward districts. The bank lost no time in gearing its efforts to aid the new priority sectors. The bank's financing of exports has gone up four times since 1969. On the international front, the bank now has 18 branches—in UK, Pakistan, Kenya, Hong Kong, Singapore, Japan, France and Indonesia.

The bank apart from aiding priority sectors, has undertaken ingenious schemes to help the needy. On the employment-promotion programme, the bank has helped nearly 4000 borrowers. In its latest adaptation to the national needs, the bank has invested nearly Rs 27 crores from July 1975 to March 1976 under the 20-Point Economic Programme.

The bank participates in the entrepreneurship development schemes, slum clearance programmes and other such activities of national urgency. The bank has adopted 279 villages for their comprehensive development.

The bank has been allotted 32 districts to promote rural development. From 28 branches in 1969, in these districts, the number has risen to 313. It has also started the Gramin Bank in Farrukhabad and at Barabanki which are known as regional rural banks.

ICICI

The Industrial Credit and Investment Corporation of India Ltd (ICICI) is offering 30,000 debentures (1992) of Rs 5,000 each at 97.50 per cent (i.e. Rs 4875 each). The subscription list opened on September 23 and will close on September 28 or earlier but not before September 25, 1976. The ICICI reserves the right to retain excess subscription money up to 10 per cent of the issue and allotment of further 3000 debentures. The debentures will carry an interest

at the rate of 6.25 per cent per annum. The debentures are redeemable at par on October 15, 1992.

The debentures, now being issued, are guaranteed by the government of India as to the repayment of the principal and the payment of interest thereon at 6.25 per cent. The debentures are also considered as approved security under the provisions of the Indian Trusts Act, 1882, the Insurance Act, 1938 and the Banking Regulation Act, 1949.

The debentures are being issued for the purpose of augmenting the resources of the company to meet the demands of industry for financial assistance and to meet the other needs of ICICI.

ITC

In the annual statement circulated to the shareholders of ITC Ltd, the chairman Mr A. N. Haksar, has made a strong plea to the government for a reduction in excise duties. The chairman has stated that while it is true that equilibrium be maintained between investment, production and consumption, it is also equally true that higher productivity, more employment and better utilisation of all resources—those already invested and those to be invested—can only flow from higher production supported by expanding demand within the prevailing circumstances of purchasing power. The chairman has further emphasised that reasonable stability in prices for the betterment of the public as a whole, with larger employment on the one hand and inevitable increases in costs of certain inputs such as energy (etc) on the other can, perhaps, best be achieved by lesser excise duties, with the exchequer

revenue being augmented through a wider and deeper base of consumption particularly in the rural areas, thus making a virtue of our very large population that needs to be contended with and radically contained for the future.

Excellent Performance

The performance of ITC Ltd during the year ended March 31, 1976 was excellent. During 1975-76 the corporate turnover reached Rs 360 crores and the profit before tax was Rs 9.43 crores, both of which are the highest so far achieved. Whereas the cigarette business remained dull in keeping with the static situation in the industry resulting from the continued imposition of heavy excise duties, significant contributions were made by the leaf tobacco ILTD Division and the Printing and Packaging Division towards these results.

The Indian Leaf Tobacco Development Co Ltd has been operating in India as a 100 per cent UK owned company branch operation. As a result of amicable discussions with ILTD, UK, and the subsequent permission given by the central government, ITC was able to purchase, with effect from April 1, 1975, the net assets of ILTD in India and this is the first year in which the ILTD Division has functioned as a part of ITC. This acquisition has added very considerable strength to the operations of ITC in the tobacco business.

ITC's entry into the tourism and hotel industry started with opening of Hotel Chola in Madras in September 1975. The results achieved by the end of March 1976 were well above earlier expectations. Performance since April this year, despite the slack season, has been very creditable. It is

indeed significant that ITC has ventured into this field without any collaboration whatsoever, either domestic or foreign. Hotel Mughal in Agra has started receiving guests. It will be fully operational by October in respect of all its facilities. Construction of Hotel Maurya at Delhi has commenced and work is in full swing to enable the hotel to open in the winter of 1977.

ITC is promoting Bhadrachalam Paperboards Ltd for manufacturing quality carton board and printing-cum-educational papers with an investment of 33 per cent of the equity in this new venture which is in the core sector. The project is located in a backward district of Andhra Pradesh.

Export Award

Once again ITC was the recipient of awards and tributes in recognition of creditable performance in various sides of its activities. ITC was awarded the government of India trophy in November 1975 for outstanding export performance in the field of export during April 1972-March 1973. ITC has also received government's National Family Planning Award for the best performance under the Nirodh Marketing Programme for 1973-74.

The final phase of dilution to bring foreign shareholding down to 40 per cent through a disinvestment of Rs 3.80 crores by the overseas shareholders has been under active consideration, and discussions with the government. Subject to this final clearance, which it is hoped will be shortly available, the dilution should be completed before the close of 1976, thus removing ITC from the group of "FERA

Companies" to enable it to look to a brighter future as an "Indian Company".

News and Notes

Bank of Baroda has opened its new branch at Brussels. It is the first Indian bank to have opened its branch in Belgium. The opening of this branch will forge a further link between the EEC and India. The bank's other branches are spread over Fiji Islands, Guyana, Kenya, Mauritius, United Arab Emirates, Sultanate of Oman and the UK.

The Asian Development Bank (ADB) and a syndicate of Swiss banks headed by the Swiss Credit Bank signed on September 6 an agreement for a bond issue in Switzerland of SwF80 million (equivalent to about US\$32.4 million). The bonds will bear interest at 6.25 per cent and have a maturity of 15 years. The bonds will be offered for initial sale in Switzerland during the period from 8 to 14 September 1976 at the price of 100 per cent. The bonds will be dated 30 September 1976, with annual interest coupons, and will be in denominations of SwF5,000 and SwF100,000. The ADB undertakes to repay the bonds at par, without further notice, on September 30, 1991, at the latest. The bonds will be listed on the Stock Exchanges of Zurich, Basle, Geneva, Lausanne and Bern. This is the ADB's third public bond issue in the Swiss capital market.

New Issues

Transformers and Electricals Kerala Ltd (TELK), a going concern established by Kerala State Industrial Development Corporation Ltd, with Hitachi collaboration and with an excellent record of progress and

profit is issuing shares to the public. They are issuing 8,55,052 equity shares of Rs 10 each for cash at par to the public. The subscription list opens on October 4, 1976. With the additional equity of Rs 85.5 lakhs the total paid-up capital of the company will be Rs 400 lakhs.

TELK is one of the two manufacturers in the country manufacturing extra high voltage power transmission equipments up to 400 kV, viz. power transformers, current transformers, on-load tap-changers and bushings up to 400 kV. They are well established in the power field and have supplied extra high voltage transformers up to 220 kV to almost all the states and have also exported some transformers to Tanzania, Malawi and Cambodia. They have commenced manufacture of equipment in the 400 kV range.

TELK is currently implementing an expansion programme at its existing manufacturing facilities at Angamally, Ernakulam District, Kerala to increase its capacity from 1080 MVA of transformer per annum to 3000 MVA of transformer per annum and also to take up manufacture of 400 kV equipments. The cost of the expansion is estimated at Rs 564 lakhs.

The company has almost completed the project and the entire works will be over by December 1976. The company has enough orders on hand—for Rs 30 crores to run for 2½ years.

TELK is a public sector undertaking and probably the first public sector company with a good dividend record.

Capital and Bonus Issues

Consent has been granted to these companies to raise a capital. The details are as follows:

New Elastic Tape Manufacturing Company Private Ltd, Bombay, has been accorded consent, valid for six months, to capitalise Rs 225,000 out of its general reserve and issue fully-paid shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Springs India Limited, Calcutta, has communicated to the government of its proposals to issue capital under clause (5) of the Capital Issues (Exemption) Order for Rs 6.5 million (inclusive the capital already raised) divided into 580,000 ordinary shares of Rs 10 each and Rs 7,000, 11 per cent cumulative preference shares of Rs 100 each, for cash at par, out of which Rs 3.48 million in equity and the entire preference capital of Rs 700,000

will be offered to the public by a prospectus.

Sable Waghere and Company Limited, Poona, has been accorded consent, valid for six months to capitalise Rs 1.3 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for each equity share held.

Cruickshank and Company Limited, Calcutta, has been accorded consent, valid for six months, to capitalise Rs 1.5 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of three bonus shares for every five equity shares held.

National Organic Chemical Industries Limited, Bombay, has been accorded consent, valid for six months, to capitalise Rs 60 million out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Dividend

Name of the company	Year ended		(Per cent)	
			Equity dividend declared for	
			Current year	Previous year
Higher Dividend				
Alageswar Estates	March	31, '76	15.0	10.0
Bajaj Auto	June	30, '76	18.0**	12.0*
Belpahar Refractories	October	31, '75	12.0	7.0
Agfa-Gevaert India	December	31, '75	16.0	12.0
Same Dividend				
Mohan Meakin Breweries	March	31, '76	12.0	12.0
Star Paper Mills	March	31, '76	15.0	15.0
Hukumchand Jute	March	31, '76	9.0	9.0
Ahmedabad New Cotton	December	31, '75	18.0	18.0
Reduced Dividend				
Coorg Tea	March	31, '76	10.0	20.0
Fort Gloster Industries	March	31, '76	10.0	12.0

*Fifteen months ended June 30, 1976.

**Twelve months ended March 30, 1975.

I.T.C. Limited

**Chairman, Shri A.N. Haksar's statement
at the Sixtyfifth Annual General Meeting on
Thursday, 26th August, 1976.**

A. Introduction

On behalf of the Board of Directors I welcome you to the 65th Annual General Meeting of your company. While thanking you for your presence here today, I would like to apologise, in advance, for restricting the hospitality on this occasion in consonance with national policy in this regard.

To begin with, I would like to express your Company's pride in and support of Governmental measures as well as the declaration of Emergency, as a result of which, there have been very substantial gains to the Nation and the public. Containment of inflation remains an outstanding achievement of 1975-76. Not only were prices held, but there was an actual decline in prices by 6% during the year. The financial discipline that has been introduced makes possible the better utilisation of available resources in support of priorities; it has also provided a meaningful thrust for more efficient operations in all spheres. Above all, the emergency has focussed attention on the need for disciplined conduct of personal and public life, and made poignant, the need for each of us to contribute to the well being of our country through conscientious hard work, and more work, putting the Nation ahead of ourselves. In this Nation-building endeavour and the economic and other programmes enunciated for this purpose, I would like to reaffirm your company's unflinching support at all times.

Shri D. J. Weaver and Shri R. C. Burns retired from the Board in December 1975 and July 1976 respectively. On behalf of the shareholders and

the Board, I would like to express my thanks to them for their valuable services throughout their tenure with the Company and wish them all the best for the future.

Once again ITC was the recipient of awards and tributes in recognition of creditable performances in various sides of its activities. To cite just two:

1. ITC was awarded the Government of India trophy in November 1975 for outstanding export performance in the field of export during April 1972—March 1973.
2. ITC received Government's National Family Planning Award for the best performance under the Nirodh Marketing Programme for 1973-74.

B. Corporate Results-Review

The report of the Directors, which is with you, will indicate that the Company has completed another successful year of operations. During the year under review, the Corporate Turnover reached Rs 360 crores and the profit before Tax was Rs 9.43 crores, both of which are the highest so far achieved. Whereas the cigarette business remained dull in keeping with the static situation in the industry resulting from the continued imposition of heavy excise duties which I will deal with later, significant contributions were made by leaf tobacco ILTD Division and the Printing and Packaging Division towards these results.

C. Consumer Satisfaction—Production—Inflation—Excises

In a world which saw spiralling prices and, in which high rates of inflation have become

almost universal, the handling of this pernicious illness successfully by our country and Government is no mean achievement, some consider it incredible. However, we cannot rest on our laurels and we support Government's continued vigilance on this front.

In continuation of this success on the inflation front I would like to submit, once again, the imperative need to take a fresh look at Excise Duties. In this context, the Honourable Finance Minister's comments during the 1976 Central Budget Speech and the setting up of the Jha Committee under the stewardship of Shri L. K. Jha are most welcome moves.

While it is right that equilibrium be maintained between investment, production and consumption, it is equally true that higher productivity, more employment and better utilisation of all resources—those already invested and those to be invested—can only flow from higher production supported by expanding demand within the prevailing circumstances of purchasing power. Furthermore, reasonable stability in prices for the betterment of the public as a whole, with larger employment on the one hand and inevitable increases in costs of certain inputs such as energy (etc.) on the other can, perhaps, best be achieved by lesser Excise Duties, with the Exchequer Revenue being augmented through a wider and deeper base of consumption, particularly in the rural areas; thus making a virtue of our very large population that needs to be contained with and radically contained for the future.

D. The Management of Diversified Activities—Developments—Progress

The theme of my speech last year was "The Management of Change" which has been a fundamental characteristic of the Company over recent years. Change, to enable progress, change to grow from within based on selfreliance, and to be increasingly Nation oriented. To this end, change

has been designed towards integration with the country by subserving the National interests whereby the shareholders could obtain their just reward in the longer term for the risks taken by them and contributions made. This year I would like to report to you on the Company's diversified activities, the developments that have taken place and the progress made.

1. Indianisation

The final phase of dilution to bring foreign shareholding down to 40% through a disinvestment of Rs 3.80 crores by the overseas shareholders has been under active consideration, and discussions with the Government. Subject to this final clearance, which it is hoped will be shortly available, the dilution should be completed before the close of 1976, thus removing ITC from the group of "FERA Companies" to enable it to look to a brighter future as an "Indian Company".

ITC already has over 40,000 shareholders. By this process of dilution, which started as recently as 1970 when foreign shareholding stood at 94 per cent, it is possible that it will have one of the largest number of shareholders in the private sector in the country. For this major change, thanks are due to the progressive approach, foresight and, indeed, enlightened understanding of the overseas shareholders.

2. Foreign Exchange Earnings

Turning to the export performance of your Company, I am pleased to report that the foreign exchange earnings reached an all-time record of over Rs 31.00 crores in 1975/76. It is gratifying to note that your Company is in the forefront of the national export drive. Every endeavour will be made to match this performance during the current year and, hopefully, there should be further progress in the coming years contributed largely by increased non-traditional earnings arising from the Hotels, Foods and General Exports Divisions.

3. Traditional Smoking Tobacco and Cigarettes—India Tobacco Division

The gross turnover of the India Tobacco Division from smoking tobaccos and cigarettes increased from Rs 313 crores to Rs 321 crores, but the net turnover (excluding Cigarette Excise Duty) declined as a result of the increased imposition of Cigarette Excise Duties. The Budget of 1976 once again ushered a further increase in Excise Duties with only a marginal reduction in the lower-middle price categories; the ninth successive increase in Cigarette Excise Duties since 1968. As a result of these rapid and substantial doses of increasing taxation the cigarette industry has been virtually static for 8 years and only approximately 50/60 per cent of the existing installed capacity is being utilised. On the contrary, empirical evidence points to the fact that substantial increases in Exchequer Revenues do take place without an increase in the rates of duties through a broader based demand and no additional burden on the consuming public. Furthermore, as much as 80 per cent of the Excise Duty on tobacco products is accounted for by cigarettes although they represent around 25 per cent of the tobacco usage in the country. I would like to plead once again that the Government take a more pragmatic approach to giving relief to the cigarette industry as increasing revenues will not be jeopardised, as there is the need for a growing domestic base to support larger exports of leaf tobacco and as it would be only right that the burden of revenue from tobacco be more, evenly spread between the various products. The need for such relief, which will also enable better utilisation of available capacity, is most urgent. In spite of these severe difficulties the Division's trading results were maintained at a satisfactory level, and credit for this lies in the managerial action taken to minimise the effects of inflation through product innovation and a reduction in operating costs.

I would like to reiterate once again that there is substantial scope for the growth of the cigarette industry without harming any other tobacco product given a more realistic approach on Excise Duties.

The Division's marketing operations progressed further with the growth of GOLD FLAKE and CAPSTAN. WILLS FILTER continued to do well while WILLS VIRGINIA FILTER emerged as the largest selling filter tipped cigarette in India. Three other filter tipped brands—WILLS FLAKE KING SIZE, WILLS FLAKE REGULAR SIZE and BRISTOL are also moving up fast along with BERKELEY.

I would like to reiterate once again that there is substantial scope for the growth of the cigarette industry without harming any other tobacco product given a more realistic approach on Excise Duties.

4. Leaf Tobacco ILTD Division

Turning now to Leaf Tobacco, you will recall that I have always referred to The Indian Leaf Tobacco Development Co. Ltd. as a sister concern in the past. ILTD has been operating in India as a 100% U.K. owned Company Branch Operation. I am very happy to report that, as a result of amicable discussions with ILTD U.K., and the subsequent permission given by the Central Government, your Company was able to purchase, with effect from 1st April 1975, the net assets of ILTD in India and this is the first year in which the ILTD Division has functioned as a part of ITC. This acquisition has added very considerable strength to the operations of ITC in the tobacco business by providing it with an efficient raw material base as well as the very substantial expertise and technology that has been developed by ILTD over many years, not only in tobacco, but in the field of agriculture as a whole.

ILTD has been the pioneer of the leaf tobacco business in India and of this Division's turnover of over Rs. 47 crores, as much as 52% or around Rs. 25 crores is in exports. ILTD Division is in constant touch with all the major tobacco customers in as many as 20 different tobacco importing countries. Whereas the exports of tobacco have been increasing

in recent years, competition from countries such as Brazil, Korea, Thailand has been increasing where, not only is there no duty on exports, but instead governmental subsidies are available in several instances. It is to be hoped that with the imperative need to improve further on our tobacco exports Government will give consideration to the timely removal of the Export Duty on Tobacco so that India does not lose out its pre-eminence amongst tobacco exporting countries in the International market.

The ILTD Division is closely involved with the development of tobacco in India and vigorous new development work is going on in Karnataka State and in light soil areas in Andhra Pradesh.

5. Printing and Packaging Division

The Printing and Packaging Industry continued to face a general slump in business during 1975-76. In the wake of the packaged commodities orders, the credit squeeze and other anti-inflationary measures to better equate demand with supply, there have been vigorous attempts on the part of the basic user industries to cut down inventories, resulting in depressed demand. In spite of the very severe difficulties, the Printing and Packing Division was able to make a very reasonable and improved contribution to Corporate Profits largely through judicious purchases of its major feedstock and by very strict control of its overheads expenditure coupled with continuing improvement in productivity. The demand from basic users has recently been showing an improving trend and this, together with diversifying customers and products, should enable the Division to improve further on its performance in the current year with increasingly meaningful contributions to the Corporate good.

6. Hotels Division

Your Company's entry into the tourism and hotel industry started with the opening of Hotel CHOLA in Madras in September 1975. The results

achieved by the end of March 1976 were well above earlier expectations. Performance since April this year, despite the slack season, has been very creditable, and with indications of growing tourist traffic to the South, which process can be accelerated through removal of certain constraints, occupancies should improve further in the coming months. The earlier snags that were inevitably encountered in a new industry and venture have now been overcome, and during this, the first full year of its operations it is expected that results should be genuinely satisfying. Considering ITC has entered the industry without any collaboration, either foreign or domestic, the credit for these results goes to the management of the Division and Hotel CHOLA who have collectively endeavoured to inject a new dimension in the Industry by taking pride in developing a hotel concept that is rooted in the soil of our country and is truly Indian.

I am also very happy to report that there has been an advance on our earlier expectations relating to the completion of Hotel MUGHAL in Agra which has opened this month and started receiving guests. Hotel MUGHAL will be fully operational by October in respect of all its facilities. Indian travel agents and foreign tour operators who have visited the site are greatly impressed by its unique concept and design and have been already making bookings of an order which augur well for the future. Between Hotels CHOLA and MUGHAL with a full year of operations of both, the Hotels Division is likely to be in a position to make a contribution to Corporate Profits having fore-shortened the period of construction, gestation and running-in. Construction of Hotel MAURYA has not only commenced but is in full swing to enable the hotel to open in the winter of 1977. The Pacific Area Travel Agents Conference is being hosted in Delhi in January 1978 and your hotel is expected to reap considerable benefit from the international

exposure that it will receive.

Your Board of Directors place considerable confidence in the future of this Division which has grown rapidly, as the Division and ITC have been fortunate in collecting a group of hotel expertise and management which, although it may not be the largest, is certainly both individually and collectively already considered by others to be about the best in the country.

7. Foods Division

Turning now to the Foods Division, I am happy to report that during 1975/76 exports were around Rs. 5 crores. Your Company's brands — PENINSULAR and CHEF — have established for themselves a reputation of high quality and are in good demand in overseas markets, particularly Japan. During 1975/76 this Division consolidated its activities, the fleet of fibre glass motorised trawlers was augmented by two, two trawlers have now been taken on lease and two Mexican trawlers are likely to be received before the close of this year. With this growth in the trawling fleet concurrent steps are in hand for expeditious construction and commissioning of new processing plants for marine products.

Subject to the vagaries of the "commodity market", it is expected that export earnings will double themselves over the next two years. The gestation period can be considered to have finished in 1975/76 and, during the current year and in years ahead, the Foods Division—another new venture—should be in a position to provide its due return to the body Corporate.

8. General Exports Division

The General Exports Division exported a wide range of products including cigarettes, paperboard, surgical dressings, light engineering goods, insulators, garments and leather. In order to put the activities of this Division on firmer ground in the longer term it has been decided to be more selective in the future in order

to establish product uniqueness. New growth areas have been identified and reliable production bases are being developed to achieve the objectives of longer term growth, profitability and higher stable exports.

9. Bhadrachalam Paperboards Ltd.

Your Company is promoting B.P. Ltd. for manufacturing quality carton board and printing cum educational papers with an investment of 33% of the equity in this new venture which is in the core sector. The letter of intent was converted into a licence some time back and substantially effective steps have already been taken. The project is located in a backward district of Andhra Pradesh. An effective and enthusiastic group of management, including the necessary expertise and technology, has already been built up and the final financing plans are being pursued. This will be the first project of its kind in the industry in the private sector in many years. The progress to date gives confidence in the future of this project and, therefore, for the investment being made by your Company.

E. Tribute to the Most Valuable Asset—People—Employees

In keeping with our philosophy and practice of seeking active participation of employees and the Unions as a part of long standing Industrial Relations Policy, we welcome the scheme of Workers' Participation and training of apprentices and look forward to its success in the light of our many years of experience.

During the year under review our employees—management and non-management—continued to extend their co-operation in meeting the difficult situations faced including the gestation pangs of our new activities and we were able to introduce several measures for cost reduction at all our Units. To date, new Long Term Agreements have been reached at 10 Marketing Branches and 3 Production Units in the ITD—India Tobacco Division

—and, as in the past, Annual Bonus and monthly incentive payments continue to be linked to Productivity. ILTD Division also concluded a Long Term Agreement covering nearly 18,000 workers and annual bonus has been linked to productivity for the first time.

I should like to take this opportunity of thanking all employees in the organisation, those in our traditional business as well as new entrants into our diversified activities, for their very laudable efforts and loyalty and assure shareholders that the Directors will continue to seek and value the cooperation of the people who make this Company a growing one for, to them all, goes the credit of such success as we may have achieved both in our traditional and newly diversified activities.

F. Conclusion—the Future

Finally, I would like to take a look at the future. I have

always believed that the well being of your Company is linked to the prosperity of our country. Today, India is economically stronger than it has ever been before and this healthy economy of ours is poised for greater and faster strides in the future. Our foreign exchange reserves position is not only sound but improving every day. Such a situation can only augur well for the future. At the same time, your Company has largely overcome the initial hurdles of diversification and weathered the very heavy burdens of early gestation in its new diversified activities. It is now moving to a period of consolidation in its new directions. With God's grace and luck, that is inevitably necessary, I cannot but look to the future of our country and, therefore, your Company with confidence.

This does not purport to be a report of the proceedings of the Annual General Meeting.

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Joseph Zimmerman
On World Copper Prices

Prof. N. Sen
MMTC Should Import Copper

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Wholesale prices

THE OFFICIAL wholesale prices index (base 1961-62=100) stood at 310.6 during the week ended August 21, 1976 as against 309.4 for the immediately preceding week and 313.6 for the last year. Thus over the year, there has been a decline of 1.0 per cent in the index, although compared with the immediately preceding week, the index is marginally higher by 0.4 per cent.

Food Articles

The index for "Food Articles" which stood at 342.9 was lower by 6.8 per cent compared with the corresponding week of the last year.

Compared with the preceding week, the index was, however, higher by 0.4 per cent due to an increase in the prices of cardamoms (+19 per cent), turmeric (+5 per cent), groundnut oil (+4 per cent), maize (+3 per cent), arhar, coconut, oil & cloves (+2 per cent each) and ragi, ghee, vanaspati, eggs, sugar, gur and khand-sari (+1 per cent each). Prices of betelnuts (—4 per cent), fish (—3 per cent), jowar, barley and tea (—2 per cent each) and bajra, bananas, mustard oil and chilies (—1 per cent each) declined.

Liquor & Tobacco

The index for "Liquor and Tobacco" group advanced by 1.7 per cent to 339.3 as against 333.7 for the earlier week due to a rise in the price of raw tobacco (+4 per cent) during the week.

Fuel, Power, Light and Lubricants

The index for "Fuel, Power, Light and Lubricants" group

RECORDS & STATISTICS
Index Numbers of Wholesale Prices by Groups and Sub-groups
(Base: 1961-62 = 100)

Groups & Sub-groups	Week ended				
	21-8-76	14-8-76	24-7-76 Provisional	26-6-76 Final	23-8-76
Food articles	342.9	341.5	339.5	331.8	367.7
Foodgrains	313.6	314.1	312.6	302.3	383.5
Cereals	309.9	310.9	311.0	299.9	371.3
Pulses	330.2	328.6	319.8	313.0	438.5
Fruits & vegetables	332.7	333.8	323.7	325.1	327.4
Milk & milk products	338.0	337.2	334.4	325.7	329.5
Edible oils	311.6	304.5	294.5	271.3	346.9
Fish, eggs & meat	657.3	668.1	675.1	676.6	598.4
Sugar & allied products	371.0	367.3	364.9	347.6	365.1
Others	304.4	299.0	307.6	324.9	307.2
Liquor & tobacco	339.2	333.7	323.2	323.1	314.4
Liquor	197.0	197.0	197.0	197.0	197.2
Tobacco	345.9	349.0	329.0	328.9	319.9
Fuel, power, light & lubricants	370.2	370.3	370.1	359.2	353.0
Coal	351.6	331.6	331.6	331.6	331.6
Coke	423.4	423.4	423.4	423.4	423.4
Mineral oils	421.3	421.3	421.3	421.3	468.8
Rectified spirit	1494.7	1494.7	1494.7	1494.7	547.2
Electricity	255.1	255.1	255.1	252.8	228.8
Castor oil	370.8	378.3	356.4	321.8	270.0
Industrial raw materials	314.5	310.8	312.0	297.0	359.4
Fibres	301.9	301.3	308.6	303.7	238.7
Oilseeds	351.8	343.7	316.4	306.6	351.0
Minerals	219.2	219.2	219.2	219.2	234.2
Others	268.8	268.7	271.3	274.4	249.7
Chemicals	292.9	292.9	293.1	293.1	325.9
Machinery & transport equipment	257.9	257.9	257.9	257.5	251.9
Electrical machinery	249.4	219.4	249.4	219.4	263.6
Non-electrical machinery	288.1	288.1	287.6	287.6	236.7
Transport equipment	210.9	210.9	211.1	210.4	215.6
Manufactures	263.3	252.2	253.1	259.0	253.1
Intermediate products	332.2	333.1	352.8	327.3	318.8
Textile yarn	253.9	256.1	256.3	247.9	216.9
Leather	313.3	313.3	319.4	318.5	273.8
Metals	419.6	419.5	419.2	417.2	414.1
Linseed oil	316.9	315.0	297.7	275.3	290.9
Finished products	246.6	246.3	246.2	242.5	239.6
Textiles	224.5	223.7	223.8	218.6	218.8
Metal products	301.6	301.6	301.6	298.9	298.5
Non-metallic products	309.7	309.7	308.8	299.7	276.9
Chemical products	265.3	265.2	264.6	263.7	261.7
Leather products (Shoes)	147.1	147.1	147.1	147.1	149.6
Rubber products	243.3	243.3	243.3	244.4	233.8
Paper products	219.8	223.7	223.7	219.8	230.2
Oilcakes	327.2	324.7	325.4	324.8	283.2
Miscellaneous products	174.0	174.0	174.0	174.0	174.6
All commodities	310.6	309.4	307.2	301.7	313.6

Source : Office of the Economic Adviser, Deptt. of Industrial Development,

declined to 370.2 as against 370.3 for the last week. The price of castor oil fell by two per cent.

Industrial Raw Materials

The index for "Industrial Raw Materials" went up to 314.5 from 310.8 in the last week owing to a rise in the prices of linseed castor seed and copra (+4 per cent each), groundnut (+3 per cent) and raw jute and mesta, rapeseed

and cottonseed (+1 per cent each). Prices of raw hemp and gingelly seed (-2 per cent each) and rubber (-1 per cent) showed a fall.

Chemicals

The indices for the groups "Chemicals" and "Machinery and Transport Equipment" remained unchanged at their previous levels of 292.9 and 257.9 respectively. At this level, these two groups regis-

tered a decline of 10.1 and 1.5 per cent respectively as compared with the corresponding week of the last year.

Manufactures

"Manufactures" group comprising of (a) Intermediate Products and (b) Finished Products, stood at 263.3 as against 263.2 for the last-week.

(a) The group index for "Intermediate Products" showed a fall of 0.3 per cent to 332.2 as against 333.1 for

the earlier week due to a fall in the prices of cotton yarn by one per cent. However, the prices of linseed oil (+1 per cent) increased.

(b) The index for "Finished Products" increased by 0.1 per cent to 246.6 as against 246.3 for the previous week due to essential oils (+3 per cent) and handloom cloth and oilcakes (+1 per cent each). Prices of paper-products declined by two per cent.

Index Numbers of Security Prices—All India

(Base 1970-71 = 100)

Week ended	1975		1976			
	August 30	July 31	August 7	August 14	August 21	August 28
Government and Semi-Government Securities	96.4	97.0	97.0	97.0	97.0	97.0
Government of India	95.3	95.9	96.0	96.0	96.1	96.1
State Governments	99.1	99.4	99.4	99.4	99.3	99.4
Semi-Government Institutions	101.3	101.9	101.8	101.9	101.9	101.9
Debentures	93.1	99.6	99.6	99.6	99.6	99.6
Preference Shares	84.6	81.3	81.3	81.2	81.1	81.3
Ordinary Shares	99.1	102.3	104.0	105.0	106.2	106.8
Tea Plantations	119.5	134.2	136.0	136.6	137.0	137.1
Cotton Textiles	109.2	93.8	95.4	95.7	97.0	97.6
Jute Textiles	110.5	89.7	89.1	88.8	89.4	89.7
Silk, Woollen and Rayon Textiles	114.3	130.7	133.6	134.6	135.5	132.0
Iron and Steel	49.8	46.3	46.2	46.9	48.1	48.2
Aluminium	63.2	63.2	65.1	65.4	57.5	68.0
Transport Equipment	64.0	72.7	73.9	74.4	76.6	78.3
Electrical Machinery, Apparatus, Appliances etc.	96.7	98.8	99.8	99.1	97.9	100.2
Chemical Fertilizers	144.0	168.2	171.3	180.0	184.3	187.1
Other Basic Industrial Chemicals	104.7	124.6	127.1	129.1	131.7	132.5
Cement	88.3	92.3	93.4	93.5	93.6	93.8
Paper and Paper Products	155.8	142.7	145.9	144.8	145.5	148.4
Rubber and Rubber Products	87.1	73.4	74.1	74.4	75.2	77.1
Electricity Generation and Supply	62.8	71.1	72.3	73.0	77.7	69.8
Shipping	176.6	164.2	171.5	175.5	176.4	172.5

Source: Reserve Bank of India.

Day	Reserve Bank of India (Rs lakhs)			
	August 27, 1976	A week ago	A month ago	A year ago

Department				
Reserves in Banking Dept.	62,25	43,91	32,62	29,84
Notes in circulation	6,876,54	6,987,76	6,939,17	6,205,77
Central bank notes issued	6,938,79	7,031,66	6,971,79	6,235,61
Gold and bullion	182,52	182,52	182,52	182,53
Government securities	546,74	546,74	546,74	121,74
Foreign coin	24,08	21,95	22,08	15,95
Reserves of India				
Government securities	6,185,45	6,280,45	6,220,44	5,915,39
Liabilities Department				
Liabilities of :				
Central government	99,03	61,04	56,77	52,28
State governments	14,25	11,34	13,98	10,91
Scheduled Comm. banks	724,33	591,14	708,37	577,52
Co-op. banks	26,76	52,40	25,45	17,44
Scheduled				
State Coop. banks	1,76	1,77	1,68	1,49
Other banks	83	1,16	98	77
Other deposits	2,067,13	2,039,42	2,183,50	1,135,93
Other liabilities	1,906,32	1,870,29	1,850,14	1,889,51
Notes and coins	62,35	44,76	32,72	29,92
Balances held abroad	1,506,35	1,461,34	1,387,32	603,36
Loans and Advances to:				
State governments	200,79	232,47	266,33	163,79
Scheduled banks	714,25	644,15	818,50	37,27
State coop. banks	309,04	291,44	261,99	411,44
Other loans and advances	601,96	600,19	595,69	418,01
Bills Purchased and Discounted.				
Internal	134,09	146,41	151,69	42,16
Govt. Treasury Bills	413,38	344,79	239,57	933,79
Investments	144,20	112,49	324,33	698,59
Other assets	754,02	750,51	762,74	347,50

Money Supply with the Public

Week ended	1975		1976			
	August 22	July 23	July 30	August 6	August 13	August 20
Money Supply with the Public	12,018	13,645	13,514	13,609	13,643	13,574
Currency with the Public	6,495	7,220	7,118	7,244	7,294	7,169
Other Deposits with the Reserve Bank	43	38	46	45	40	67
Bank Money	5,480	6,387	6,350	6,320	6,309	6,338
Factors Affecting Money Supply (1 + 2 + 3 + 4 - 5)						
Net Bank Credit to Government Sector (a + b)	10,738	10,723	10,657	10,788	10,837	10,614
(a) Reserve Bank's Net Credit to Government Sector	7,597	7,030	6,949	7,061	7,123	6,870
(b) Other Banks Credit to Government Sector	3,141	3,694	3,708	3,727	3,714	3,744
Bank Credit to Commercial Sector (a + b)	11,187	14,309	14,312	14,312	14,249	14,308
(a) Reserve Bank's Credit to Commercial Sector	569	800	800	802	797	798
(b) Other Bank's Credit to Commercial Sector	10,618	13,509	13,489	13,510	13,452	13,510
Net Foreign Exchange Assets of Banking Sector	266	1,404	1,434	1,463	1,490	1,509
Government's Net Currency Liabilities to the Public	546	546	544	546	546	544
Non-Monetary Liabilities of Banking Sector (a + b + c)	10,719	13,337	13,410	13,500	13,479	14,401
(a) Time Deposits with banks	8,119	9,629	9,671	9,762	9,842	9,884
(b) Net Non-monetary liabilities of R.B.I.	2,000	2,554	2,572	2,593	2,605	2,439
(c) Residual	600	1,154	1,167	1,145	1,032	1,078
Aggregate Monetary Resources [A + B5(a)]	20,57	25,274	25,85	25,571	25,485	25,458

Source: Reserve Bank of India

Consumer Price Index Numbers for Industrial Workers

(Base 1960 = 100)

Centre	1965-	1969-	1970-	1971-	1972-	1973-	1974-	1975-	1975		1976					ll y e r
	66	70	71	72	73	74	75	76	May	Dec.	Jan.	Feb.	Mar.	Apr.	May	
All-India	—	177	186	192	207	250	317	313	327	306	298	280	286	289	290	d l st k r d l r
Ahmedabad	130	169	176	181	198	245	305	293	310	289	281	273	268	273	269	
Alwaye	145	197	198	202	215	267	346	358	388	346	333	318	322	325	313	
Asansol	140	178	189	194	206	245	316	317	321	315	310	304	302	306	306	
Bangalore	144	183	186	194	212	265	318	332	345	332	322	312	304	302	299	
Bhavnagar	132	178	186	194	217	273	327	315	334	312	302	294	290	292	291	
Bombay	130	175	182	190	203	233	289	300	308	296	292	288	286	291	288	
Calcutta	131	172	182	187	197	228	288	287	287	287	277	271	276	286	288	
Coimbatore	132	154	163	177	189	218	309	319	335	302	299	293	289	281	283	
Delhi	136	185	199	211	222	265	337	333	337	328	325	326	324	323	329	
Digboi	138	180	189	188	198	234	310	317	342	305	302	302	303	304	308	
Gwalior	139	184	191	197	214	271	348	324	343	321	305	298	293	301	305	
Howrah	137	176	186	191	206	239	298	290	291	292	281	276	277	283	286	
Hyderabad	140	185	189	195	211	251	304	316	322	324	308	294	289	289	293	
Jamshedpur	136	170	183	187	202	219	313	293	298	289	279	277	275	275	274	
Madras	134	160	170	182	203	220	301	314	325	304	286	280	272	272	273	
Madurai	123	162	183	192	206	236	334	333	339	303	301	295	280	280	284	
Monghyr	151	188	205	204	225	292	363	325	333	310	311	303	299	290	289	
Mundakayam	138	191	197	199	210	263	337	346	375	330	327	311	311	312	301	
Nagpur	138	176	187	192	203	256	314	325	336	329	304	286	277	281	293	
Saharanpur	141	181	186	198	213	253	338	313	330	306	304	301	293	304	300	
Sholapur	128	176	185	198	216	277	325	342	360	338	324	301	291	300	303	

Source: Labour Bureau, Government of India.

Consumer Price Index Numbers for Urban Non-manual Employees

(Base 1960 = 100)

Centre	1965-	1969-	1970-	1971-	1972-	1973-	1974-	1975-	1975				1976		
	68	70	71	72	73	74	75	76	Mar.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
All-India	132	167	174	180	192	221	270	277	277	280	280	276	271	267	265
Bombay	132	162	168	172	183	204	241	246	242	247	250	246	243	241	242
Delhi-New Delhi	131	168	174	180	190	217	262	273	268	276	275	272	270	267	268
Calcutta	126	162	170	174	180	204	238	243	241	246	248	244	240	238	237
Madras	133	161	175	188	204	231	291	306	306	313	315	307	297	291	287
Hyderabad-Secunderabad	133	167	174	180	195	223	270	283	280	286	289	285	279	272	268
Bangalore	133	164	172	180	194	228	272	284	284	286	287	287	286	281	275
Lucknow	132	161	166	174	185	215	255	270	270	275	274	269	265	263	263
Ahmedabad	131	168	171	173	188	222	271	272	276	273	274	266	262	261	256
Jaipur	133	176	183	188	205	244	308	311	315	315	313	310	306	299	294
Patna	139	180	191	190	199	229	286	284	287	288	288	284	282	283	278
Srinagar	134	174	184	191	200	215	262	280	273	288	283	283	275	275	274
Trivandrum	131	172	178	184	198	231	280	297	292	294	300	304	300	294	293
Cuttack-Bhubaneswar	142	169	176	184	196	221	266	270	267	275	276	267	260	258	258
Bhopal	133	172	180	188	204	238	295	296	299	298	298	297	297	283	278
Chandigarh	129	171	178	183	194	217	265	278	277	280	280	280	276	276	277
Shillong	123	164	166	175	183	208	257	274	274	282	279	274	261	255	259

Source: Central Statistical Organisation.

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